

INTERNATIONAL STAR INC
Form 10-K/A
September 30, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K /A
(Amendment No. 1)

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended
December 31, 2008

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Transition period from
_____ to _____

Commission File Number: 000-28861

INTERNATIONAL STAR, INC.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada
(State or other jurisdiction of
i n c o r p o r a t i o n o r
organization)

86-0876846
(I . R . S . E m p l o y e r
Identification No.)

1818 Marshall Street,
Shreveport, LA
(Address of principal
executive offices)

71101
(Zip Code)

(318) 464-8687
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Exchange Act.

Edgar Filing: INTERNATIONAL STAR INC - Form 10-K/A

Indicate by check mark if the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.).

Yes No

Based on the closing sale price of \$0.010 on June 30, 2008, the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was \$2,197,780.

As of March 20, 2009, there were 281,512,274 shares of the registrant's Common Stock issued and outstanding.

EXPLANATORY NOTE

We are filing this Amendment No. 1 on Form 10-K/A (“Amendment No. 1”) to our Annual Report on Form 10-K for the year ended December 31, 2008 (“Annual Report”) solely to add management’s definitive conclusion regarding the effectiveness of our internal control over financial reporting under Item 9A and to add reference in the report of our auditor to our consolidated balance sheet as of December 31, 2007, which was inadvertently omitted from the Annual Report.

For convenience and ease of reference, we are filing the amended Annual Report in its entirety. Except as stated herein, no other changes to the Annual Report have been made. This Amendment No. 1 does not reflect events occurring after the filing of the Annual Report or modify or update the disclosures therein in any way other than as described above. Also, the revisions contained in this Amendment No. 1 do not include the restatement of any financial information previously reported in our Annual Report filed with the Commission on March 31, 2009.

INTERNATIONAL STAR, INC.
Form 10-K
For the Fiscal Year Ended December 31, 2008

TABLE OF CONTENTS

| | | |
|----------|--|----|
| PART I | | 1 |
| ITEM 1. | BUSINESS | 2 |
| ITEM 1A. | RISK FACTORS | 6 |
| ITEM 1B. | UNRESOLVED STAFF COMMENTS | 6 |
| ITEM 2. | PROPERTIES | 7 |
| ITEM 3. | LEGAL PROCEEDINGS | 9 |
| ITEM 4. | SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS | 9 |
| PART II | | 9 |
| ITEM 5. | MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS | 9 |
| ITEM 6. | SELECTED FINANCIAL DATA | 12 |
| ITEM 7. | MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION | 12 |
| ITEM 7A. | QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 19 |
| ITEM 8. | FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA | 19 |
| ITEM 9. | CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE | 20 |
| ITEM 9A. | CONTROLS AND PROCEDURES | 20 |
| ITEM 9B. | OTHER INFORMATION | 21 |
| PART III | | 22 |
| ITEM 10. | DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE | 22 |
| ITEM 11. | EXECUTIVE COMPENSATION | 24 |
| ITEM 12. | SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS | 26 |
| ITEM 13. | CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE | 27 |
| ITEM 14. | PRINCIPAL ACCOUNTANT FEES AND SERVICES | 28 |
| ITEM 15. | EXHIBITS AND FINANCIAL STATEMENT SCHEDULES | 29 |

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K, the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission (“SEC”) and public announcements that we have previously made or may subsequently make include, incorporate by reference or may include or incorporate by reference certain statements that may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to such matters as, among other things, our anticipated financial performance, business prospects and developments, possible strategic alternatives, new business concepts, capital expenditures, consumer and economic trends and similar matters.

Forward looking statements necessarily involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievement expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “intend,” “expect,” “anticipate,” “assume,” “hope,” “plan,” “believe,” “seek,” “estimate,” “predict,” “approximate,” “potential,” “may be,” “could be,” “might be,” “may not be,” “will not be,” “could be,” “might be,” “may not be,” “intend not to,” “do not intend to,” “do not expect to,” “do not anticipate to,” “do not assume to,” “do not hope to,” “do not plan to,” “do not believe to,” “do not seek to,” “do not estimate to,” “do not predict to,” “do not approximate to,” “do not potential to,” or the negative of such terms. Statements including these words and variations of such words, and other similar expressions, are forward-looking statements.

Since our trading shares are classified as “penny stocks”, we are not entitled to rely upon the “safe harbor” provisions adopted by the SEC under the Securities Exchange Act of 1934 (the “Exchange Act”) with respect to forward-looking statements. Nevertheless, we urge readers to seriously consider those factors identified as outside of our control and the consequences to us and our investors if our anticipated results do not come to pass as expected as a result of material deviations from assumptions we have relied upon in making forward-looking statements.

We note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These risks and uncertainties include, but are not limited to, factors described elsewhere in this Annual Report on Form 10-K and the following:

- changes in consumer spending patterns and general economic, business and social conditions in the United States and the areas we do business;
 - changes in market prices of precious and base metals;
- the impact of changes in the conditions and regulation of financial markets and public companies;
 - the availability and cost of debt and equity financing;
- the availability and reliability of qualified geology, mining and other industry professionals;
- the impact of competition from other mineral exploration and mining companies;
- the financial condition of companies on which we rely for analysis of geological samples and of the suppliers and manufacturers from whom we source our equipment;
 - changes in the costs of interest rates, insurance, energy, fuel and other business utilities;
- the costs of complying with changes in applicable environmental or land use laws or regulations;

- the costs of complying with changes in applicable labor laws or requirements, including without limitation with respect to health care;
 - changes in tax laws;
 - threats or acts of terrorism or war; and
- strikes, work stoppages or slow downs by unions affecting businesses which have an impact on our ability to conduct our own business operations.

Although we believe that the expectations reflected in the forward-looking statements are reasonable based upon our knowledge of our business, we cannot absolutely predict or guarantee our future results, levels of activity, performance, or achievements. Consequently, these cautionary statements qualify all of the forward-looking statements we make herein. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates, or on any subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf which are expressly qualified in their entirety by these cautionary statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or thereof or to reflect the occurrence of unanticipated events.

ITEM 1.

BUSINESS

Our Background and Business Development

International Star, Inc. (“us,” “we,” “our” or the “Company”) was organized under the laws of the State of Nevada on October 28, 1993, as Mattress Showrooms, Inc. In 1997, we changed our corporate name to International Star, Inc. and became engaged in the business of construction, sale and operation of state of the art waste management systems, specializing in turnkey systems for management of hospital, industrial, petroleum, chemical and municipal solid waste collection systems. Despite our efforts, we were unable to develop this business beyond the start-up stage. Following our unsuccessful venture in waste management, we refocused our business efforts on mineral exploration in 1998. Currently, we are primarily engaged in the acquisition and exploration of precious and base metals mineral properties.

Since 1998, we have examined various mineral properties prospective for precious and base metals and minerals and have acquired interests in those we believe may contain precious and base metals and minerals. Our properties are located in Arizona. We have not established that any of our properties contain reserves. A reserve is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Further exploration will be needed before a final determination can be made whether any mineral extraction from our property is economically and legally feasible. Therefore, at present we have no reserves and no income from mineral production.

In March 1998, we entered into a 20-year mining property lease agreement with James R. Ardoin pursuant to which Mr. Ardoin leased to our Company eight mineral claims located in the Detrital Wash area around mile marker 22 on Highway 93, Mohave County, Arizona, for the purpose of exploring for minerals and for the extraction, treatment, and sale of minerals found on the lands leased. We agreed to pay Mr. Ardoin a production royalty equal to 2% of net smelter returns (“NSR”) (as defined in the lease). In July 2004, we acquired additional claims totaling approximately 20,000 acres adjacent to our original claims pursuant to an exploration rights agreement with the holders of the claims, some of whom were then directors or officers of the Company. The agreement granted us exploration rights on the claims, and first right of refusal to enter into a mineral lease agreement in exchange for a 0.25% NSR payable to the claimholders should the Company bring the property into production. The agreement required us to expend a minimum of \$125,000 on exploration during the three-year period following the execution of the exploration agreement and to maintain the claims in good standing by paying federally required maintenance fees. In August 2008, based on an assessment by the Company’s current geology and mining consultants of a lack mineralization in these claims and because the Company had staked new claims in the area covering areas of evidenced mineralization, the Company terminated its lease agreement with Mr. Ardoin in accordance with its terms and allowed the claims acquired through the 2004 exploration rights agreement, under which the Company had fully performed its obligations, to expire.

In March 2001, we purchased from Gold Standard Mines, Inc. 51 mining claims located in the Wikieup mining district, Mohave County, Arizona (collectively, the “Wikieup Property”) and the exclusive rights to an extraction

process for the recovery of precious metals from the Wikieup Property that was developed by the claim owner. We have not had the extraction process for the Wikieup Property verified by an independent source. As consideration for the claims, we issued 1,000,000 shares of our restricted common stock having an aggregate value of \$400,000 as of the date of the acquisition. In exchange, we received a notarized quitclaim deed granting us all rights, interest and title to the claims. The deed was subsequently recorded at the United States Bureau of Land Management office in Phoenix, Arizona, and at Mohave County in Kingman, Arizona. The Company presently holds 42 of these claims.

In October 2001, we formed a wholly owned subsidiary, Qwik Track, Inc., to engage in web-based information distribution services and to provide timely and accurate thoroughbred handicapping analytical data and statistical information to the international account wagering market. Due to our limited finances and lack of funding, in 2003 we suspended indefinitely the further development of Qwik-Track, Inc.

In October 2002, we acquired Pita King Bakeries International, Inc. (“Pita King”), after which Pita King operated as our wholly-owned subsidiary engaged in the production and marketing of a variety of pita breads and chips. Effective January 1, 2004, we and the principals of Pita King mutually agreed to dissolve our business relationship. Pursuant to the terms of the dissolution agreement, we forgave a debt owed by Pita King to the Company in the aggregate amount of \$35,000, and in exchange, the principals and officers of Pita King agreed to return 4,000,000 shares of our common stock that was issued in connection with our acquisition of Pita King. We agreed that the remaining 139,500 shares of our common stock that was issued to the original shareholders of Pita King in connection with the acquisition would remain the property of such shareholders and would be unaffected by the dissolution agreement. As a result of the dissolution agreement, Pita King is no longer affiliated with the Company.

In January 2006, we entered into a joint venture agreement with Resolve Capital Funding Corporation, Inc. (“Resolve”) for the formation of Star-Resolve Detrital Wash, LLC to engage in the development and commercial exploitation of our Detrital Wash property. The joint venture agreement provided that each of Resolve and our Company would have a 50% membership interest in Star-Resolve Detrital Wash, LLC. As our capital contribution to the joint venture, upon the formation of Star-Resolve Detrital Wash, LLC, we were required to contribute our mineral rights in the Detrital Wash Property under a mining property lease. As Resolve’s capital contribution to Star-Resolve Detrital Wash, LLC, Resolve was required to contribute 600,000 Canadian Dollars (approximately \$515,996 U.S. Dollars based on the exchange rate as of January 10, 2006) within 60 to 90 days of the joint venture’s formation. In addition, Resolve was required to use its best efforts to manage Star-Resolve Detrital Wash, LLC, including, without limitation, providing Star-Resolve Detrital Wash, LLC with access to its industry related contracts and its expertise in the commercial exploitation of mineral rights. Resolve was to be the exclusive managing member of Star-Resolve Detrital Wash, LLC. Although the LLC was formed pursuant to the joint venture agreement, Resolve did not make the required cash contribution and, as of the date of filing of this report, remains in default under the joint venture agreement. Our management has suspended further pursuit of the joint venture and its efforts to obtain a resolution to Resolve’s breach of the joint venture agreement.

In 2008, we engaged as consultants an additional geologist and a registered professional mining engineer, both whom are “qualified persons” under Canadian National Instrument (NI) 43-101 recognized industry standards, along with our existing consultant geologist to coordinate development and implementation of a new exploration program for our properties in the Detrital Wash area. This program consists of sampling, mapping, assaying and conducting geophysical exploration activities designed to gather and evaluate data under NI 43-101 industry standards and bring historical data on these properties up to current NI 43-101 standards for the purpose of determining whether mineable reserves exist on our Detrital Wash Property. We implemented the initial phase of this exploration program during 2008, which involved collecting and assaying geological samples and mapping the geology. As of the date of this Annual Report, we have begun implementation of a second phase of the program involving assaying additional geological samples. Pending the results of the additional assays and subject to available funding, the Company plans to continue implementation this exploration program during 2009 to determine whether commercially extractable reserves exist on our Detrital Wash properties. However, we cannot guarantee that we will be able to obtain the necessary funding to complete this program or, even if we obtain sufficient funding, that we will be able to establish the existence of such reserves or to commercially exploit any such reserves. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION – GENERAL – Plan of Operation.”

Exploration Planning – Speculative Nature of Mineral Exploration

Exploration for and production of minerals is highly speculative and involves greater risks than exist in many other industries. Many exploration programs do not result in the discovery of minerals and any mineralization discovered may not be of a sufficient quantity or quality to be profitably mined. Also, because of the uncertainties in determining metallurgical amenability of any minerals discovered, the mere discovery of mineralization may not warrant the mining of the minerals on the basis of available technology.

Although we have processed and tested mineralized materials showing evidence of precious and base metals mineralization on a testing basis in our Detrital Wash properties, our decision as to whether any of the mineral properties we now hold, or which we may acquire in the future, contain commercially mineable deposits, and whether such properties should be brought into production, will depend upon the results of our exploration program and independent feasibility analysis and the recommendation of engineers and geologists. The decision will involve the consideration and evaluation of a number of significant factors, including, but not limited to:

- the ability to obtain all required permits;
- costs of bringing the property into production, including exploration and development or preparation of feasibility studies and construction of production facilities;
 - availability and costs of financing;
 - ongoing costs of production;
 - market prices for the metals to be produced; and
- the existence of reserves or mineralization with economic grades of metals or minerals.

We cannot be certain that any of our properties contain commercially mineable mineral deposits, and no assurance can be given that we will ever generate a positive cash flow from production operations on such properties.

Regulation

Our exploration activities are subject to various federal, state and local laws and regulations governing such matters as:

- prospecting;
- development;
- taxes;
- labor standards;
- waste disposal;
- occupational safety and health;
- protection of the environment;
- reclamation of the environment; and
- toxic substances.

We believe we are currently in substantial compliance with any such regulations that apply to us. However, we may not be able to anticipate all liabilities that may arise in the future under existing regulations, or the costs of

compliance. If we are not in compliance, we may be subject to fines, clean-up orders, restrictions on our operations or other penalties.

Federal, state and local provisions regulating the discharge of material into the environment, or otherwise relating to the protection of the environment, such as the Clean Air Act, Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act affect mineral operations. For exploration and mining operations, applicable environmental regulation includes a permitting process for mining operations, an abandoned mine reclamation program and a permitting program for industrial development and siting. Other non-environmental regulations can impact exploration and mining operations and indirectly affect compliance with environmental regulations. For example, a state highway department may have to approve a new access road to make a project accessible at lower costs, but the new road itself may raise environmental issues. Compliance with these laws, and any regulations, can make the development of mining claims prohibitively expensive, thereby impeding the sale or lease of properties, or curtailing profits or royalties, which might have been received. We cannot anticipate what the further costs and/or effects of compliance with any environmental laws might be.

Facilities

We own no production, laboratory or storage facilities and rent space as appropriate when necessary. Our executive offices are located at 1818 Marshall Street, Shreveport, Louisiana 71101.

Employees

As of December 31, 2008, we had no employees other than our executive officers, nor any plans to recruit employees within the next twelve months. However, employees, consultants and expertise will be added to the Company as management deems necessary and when financing permits.

Competition

The business of mineral exploration is highly competitive, and tends to be dominated by a limited number of major mining companies. Inasmuch as we have exclusive exploration rights to the properties that are the targets of our current exploration activities, we do not compete directly against any particular firm for sales or market share. However, many of the human and physical resources we may require, such as engineering professionals, managers, skilled equipment operators, and metallurgical and extractive processes and equipment, among others, are also sought by companies with substantially greater financial resources than we possess, which places us at a competitive disadvantage in obtaining such resources for our own use. Accordingly, such competition may make our exploration activities more difficult than for a larger, more substantial company.

We also compete with other mineral resource exploration companies for financing and joint venture opportunities from a limited number of investors that are prepared to make investments in junior mineral exploration companies. Investors may view investments in competitors as more attractive based on the merit of the mineral properties under investigation and the price of the investment offered, which may impact our ability to raise additional capital to fund our exploration programs.

Subsidiaries

Qwik Track, Inc.

On October 15, 2001, we organized Qwik Track, Inc. as our wholly-owned subsidiary to operate as a web-based service business providing the wagering enthusiast with thoroughbred handicapping, analytical data and statistical information for racetrack wagering over the Internet. As of November 2003, we suspended business development of our Qwik Track subsidiary in order to focus our limited resources on exploring our mineral properties. As a result, Qwik Track, Inc. is not currently an active business entity. We do not have any present plans to reactivate this subsidiary.

Star-Resolve Detrital Wash, LLC

On January 10, 2006, we entered into a joint venture agreement with Resolve Capital Funding Corporation, Inc. ("Resolve") for the formation of Star-Resolve Detrital Wash, LLC to engage in the development and commercial exploitation of our Detrital Wash property. The joint venture agreement provided that each of Resolve and our Company would have a 50% membership interest in Star-Resolve Detrital Wash, LLC. As our capital contribution to the joint venture, upon the formation of Star-Resolve Detrital Wash, LLC, we were required to contribute our mineral rights in the Detrital Wash Property under a mining property lease. As Resolve's capital contribution to Star-Resolve Detrital Wash, LLC, Resolve was required to contribute 600,000 Canadian Dollars (approximately \$515,996 U.S. Dollars based on the exchange rate as of January 10, 2006) within 60 to 90 days of the joint venture's formation. In

addition, Resolve was required to use its best efforts to manage Star-Resolve Detrital Wash, LLC, including, without limitation, providing Star-Resolve Detrital Wash, LLC with access to its industry related contracts and its expertise in the commercial exploitation of mineral rights. Resolve was to be the exclusive managing member of Star-Resolve Detrital Wash, LLC. Although the LLC was formed pursuant to the joint venture agreement, Resolve did not make the required cash contribution and, as of the date of this report, remains in default under the joint venture agreement. Our management has suspended further pursuit of the joint venture and its efforts to obtain a resolution to Resolve's breach of the joint venture agreement. As a result, Star-Resolve Detrital Wash, LLC is not currently an active business entity. At the time of this filing, we do not have plans to seek reactivation of this subsidiary.

ITEM 1A.

RISK FACTORS

The business of mineral exploration is inherently speculative and involves a number of general risks which could materially adversely affect our results of operation and financial condition, including among others, the rarity of commercial mineral deposits, environmental and other laws and regulations, physical dangers to personnel associated with exploration activity, and political events. Risks and uncertainties that are currently unknown to management may also adversely affect our business and operation. The following is a discussion of the most significant risks and uncertainties that may affect our business, financial condition and future results.

Exploration for mineral deposits is highly speculative.

There is generally no way to recover any of the funds expended on exploration unless the company establishes the existence of mineable reserves and then exploits those reserves by either commencing mining operations, selling or leasing its interest in the property, or entering into a joint venture with a larger resource company that can develop the property to the production stage. Unless we can establish and exploit reserves before our funds are exhausted, we will have to discontinue operations, which could make our stock valueless.

We have no reserves, no mining operations and no mineral related income.

Reserves, by definition, contain mineral deposits in a quantity and in a form from which the target minerals may be economically and legally extracted or produced. We have not established that such reserves exist on our properties, and unless and until we do so, we will not have any income from our mineral operations.

Our directors and executive officers lack significant experience or technical training in exploring for precious and base metal deposits and in developing mines.

Our directors and executive officers lack significant experience or technical training in exploring for precious and base metal deposits and in developing mines. Accordingly, our management may not be fully aware of many of the specific requirements related to working within this industry. Their decisions and choices may not take into account standard engineering or managerial approaches that mineral exploration companies commonly use. Consequently, our operations, earnings, and ultimate financial success could suffer irreparable harm due to our management's lack of experience in the mining industry. We have aligned our Company with reputable, knowledgeable experts in the mining industry to overcome this lack of experience and expertise.

Future changes in regulatory or political policy could adversely affect our exploration.

Any changes in government policy may result in changes to laws affecting ownership of assets, land tenure, mining policies, taxation, environmental regulations, labor relations, or other factors relating to our exploration activities. Such changes could cause us to incur significant unforeseen expenses of compliance or even require us to suspend our activities altogether.

Our directors and executive officers own a significant amount of our common stock and can exert considerable influence over us.

Our directors and executive officers own, directly or indirectly, a significant amount of our voting capital common stock, and accordingly, can exert considerable influence over us. As of March 1, 2009, our directors and executive officers beneficially owned common stock which would equal in the aggregate approximately 21.93% of the voting power of our outstanding common stock. As a result, these stockholders are potentially able to significantly influence

the decision on all matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

Not applicable.

6

ITEM 2.

PROPERTIES

We currently hold interests in two properties that we believe show potential for mineral development. Both properties consist of unpatented mining claims located on federal public land managed by the United States Department of Interior, Bureau of Land Management (“BLM”). We are obligated to pay a maintenance fee to the BLM of \$170 per claim plus a \$14 local filing fee for each newly filed claim and \$125 per claim per year for each existing claim.

Unpatented mining claims are “located” or “staked” by individuals or companies on particular parcels of federal public land upon which the individual or company asserts the right to extract and develop a mineral deposit. Mining claims may be one of two types: lode and placer. Lode claims are claims on land where mineral deposits have been discovered encased in or surrounded by hard rock, such as veins, fissures, lodes and disseminated ore bodies. Placer claims are claims upon land containing deposits of loose, unconsolidated material, such as gravel beds, or containing certain consolidated sedimentary deposits lying at the surface. Federal law limits each lode claim to no more than 1,500 feet along the length of the deposit and no more than 300 feet to either side of the center line of the deposit. A placer claim may be up to 20 acres for a single individual or corporation, and up to as many as 160 acres for an association of at least eight owners.

If the statutes and regulations for the location and maintenance of a mining claim are complied with, the locator obtains a valid possessory right to the contained minerals. Failure to pay maintenance fees may render the mining claim void or voidable. We believe we have valid claims, but, because mining claims are self-initiated and self-maintained, it is impossible to ascertain their validity solely from public real estate records. If the government challenges the validity of an unpatented mining claim, we would have the burden of proving the present economic feasibility of mining minerals located on the claims.

Property title uncertainties exist in the mining industry. We believe that we have good title to our properties; however, defects in such title could have a material adverse effect on us. We have investigated our rights to explore, exploit and develop our various properties in manners consistent with industry practice, and to the best of our knowledge, those rights are in good standing. However, we cannot assure that the title to our properties will not be challenged or impugned by third parties or governmental agencies or that third parties have not staked claims, or will not in the future stake claims, on lands for which we believe we have good title to existing claims. In addition, we cannot assure that the properties in which we have an interest are not subject to prior unregistered agreements. Any such undetected defects could cause us to lose our rights to the property or to incur substantial expense in defending our rights.

Detrital Wash, Mohave County, Arizona Property

Property and Location

Our Detrital Wash property (the “Detrital Wash Property”) consists of approximately 24 square miles of land located approximately 56 miles from Las Vegas, Nevada, and 22 miles south of the Hoover Dam on U.S. Highway 93, Mohave County, Arizona. The property is easily accessed by partially paved entry off Highway 93 and has availability to electricity and water.

As of September 1, 2008, the Detrital Wash Property is comprised solely of lode mining claims. Prior to September 1, 2008, our Detrital Wash Property consisted of approximately 21,000 acres of land consisting primarily of placer mining claims we had obtained in part through a mineral lease with James R. Ardoin in 1998 and in part through a 2004 exploration rights agreement with a group of individuals including several former directors and officers of the Company. Based on assessments by our current geologist and mining engineer consultants that these claims do not contain placer mineral deposits, we determined that the value of these placer claims was not sufficient to justify the

costs to continue maintaining these claims. Therefore, we terminated our lease agreement with Mr. Ardoin on August 29, 2008, pursuant to the terms of the agreement. Additionally, following the termination of the lease agreement and because our obligations under the 2004 exploration rights agreement had been fully performed, we allowed all of our placer claims in the Detrital Wash Property to expire as of August 31, 2008.

Our Detrital Wash Property presently consists of 434 lode claims located in the Black Mountains and along the western front of the White Hills in the Detrital Wash area in northwestern Arizona. As of this Report, we have obtained legal title to 75 of these claims. Based on the presence of gold and silver producing mines in the Black Mountains and the White Hills, we believe deposits of precious metals may exist within the Detrital Wash Property. We cannot assure that we will discover such deposits or that, if such deposits are discovered, we will be able to commercially produce such mineral deposits.

These lode claims have been converted from our previous placer claims based on evidence of the existence of mineralization in the bedrock. The lode claims cover areas of bedrock mineralization indicated by historical data obtained by the Company and confirmed by geochemical assays of mineral samples performed for the Company in 2008 by a licensed independent lab and evaluated according to National Instrument (NI) 43-101 standards. These areas include portions of the Black Mountains as well as known and anticipated northerly extensions of veins found in the White Hills and mineralized structures to the south.

We did not pay any maintenance fees to the BLM for our lode claims in the Detrital Wash Property in 2008. In 2009, we have paid \$13,800 in filing fees for 75 of our current lode claims in the Detrital Wash Property.

Operations

During 2008, we increased our lode claim holdings in the Detrital Wash area by adding new lode claims and converting placer claims to lode claims where mineralization occurs in the bedrock. Based on our conclusion that our placer claims in the area did not contain placer deposits, we released all of our placer claim holdings in the Detrital Wash area upon their expiration as of August 31, 2008. We did not add any new lode claims during the fourth quarter of 2008.

Our current geology and mining engineer consultants developed a program during 2008 of testing geological samples from our Detrital Wash Property for mineralization and mapping the existing geology and have implemented an initial phase of this program. The initial assay results of this program support historical records obtained by the Company in 2008 of significant copper and molybdenum mineralization in both the Black Mountains and Northern White Hills areas of the Detrital region. Based on these results, our consultants have developed a plan for additional phases of our exploration program to further assess under industry standards the mineral potential of our properties. As of this filing, we have submitted over 200 additional mineral samples for assays of copper, molybdenum, silver and gold. Further implementation of this phase is dependent on our obtaining additional funding. Pending favorable results from these most recent assays, we may pursue additional funding through joint venture opportunities or from other equity investors. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION – GENERAL – Plan of Operation.” We cannot guarantee that the results of these assays will be favorable or that we will be able to obtain the necessary funds to conduct our planned exploration activities. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION – GENERAL – Going Concern.”

Wikieup, Arizona Property

Property and Location

Our Wikieup property (the “Wikieup Property”) consists of 42 lode claims located approximately three miles west of U.S. Highway 93 in Section 36, Township 16N, Range 14W in the Hualapai Mountain Range at Wikieup, Arizona. These claims comprise approximately 840 acres of mountainous terrain. The property is easily accessible by paved and dirt roads west of Wikieup, Arizona, from U.S. Highway 93 and has nearby access to electricity and

water.

The Hualapai Mountain Range consists of pre-cambrian gneiss and schist that has locally been intruded by quartz monzonite and granitic rocks of probable Laramide age. Laramide age intrusives are traditionally one of the primary host rocks for Arizona porphyry copper deposits. Notable ore deposits and mines nearby are the Oatman Mining District to the northwest and the Bagdad open pit copper mine to the southeast of this area.

8

We purchased the Wikieup claims from Gold Standard Mines, Inc. in March 2001 in exchange for which we issued 1,000,000 shares of our restricted common stock having an aggregate value of \$400,000 as of the date of the acquisition. We received from Gold Standard Mines a notarized quitclaim deed granting us all rights, interest and title to 51 lode mining claims. The deed was subsequently recorded at the United States Bureau of Land Management office in Phoenix, Arizona, and at Mohave County in Kingman, Arizona.

In 2008, we paid an aggregate of \$5,250 in annual maintenance fees to the BLM for the Wikieup Property.

Operations

Due to our limited financial resources, we do not currently have plans to engage in development activities on the Wikieup Property during 2009. However, should adequate financing become available, management may implement an aggressive campaign to identify through accepted geological processes any mineralization occurring on our Wikieup claims.

ITEM 3.

LEGAL PROCEEDINGS

From time to time we are involved in legal proceedings relating to claims arising out of operations in the normal course of business, as well as claims arising from our status as an issuer of securities and/or a publicly reporting company. At December 31, 2008, we know of no current or threatened legal proceedings involving us or our properties reportable under this Item 3.

ITEMSUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

4.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Until May 23, 2003, our common stock was traded on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. ("NASD") under the symbol ISRI. Since May 23, 2003, our common stock has been traded on the Pink Sheets under the Symbol ISRI.PK. On February 22, 2005, the NASD assigned our Company a new trading symbol and our common stock began trading on the Pink Sheets under the symbol ILST.PK. On June 20, 2005, our common stock was approved by the NASD for listing on the OTC Bulletin Board, and since such date, our common stock has been trading under the symbol ILST.OB. The following table indicates quarterly high and low prices per share for our common stock during the fiscal years ended December 31, 2008 and 2007. These prices represent quotations among dealers without adjustments for retail mark-ups, markdowns or commissions, and may not represent actual transactions. The market for our shares has been sporadic and at times very limited.

[Table follows on the next page.]

| | HIGH | LOW |
|--------------------------------------|-----------|-----------|
| Fiscal Year Ended December 31, 2008 | | |
| 4th Quarter ended December 31, 2008 | \$ 0.0100 | \$ 0.0025 |
| 3rd Quarter ended September 30, 2008 | \$ 0.0210 | \$ 0.0040 |
| 2nd Quarter ended June 30, 2008 | \$ 0.0140 | \$ 0.0060 |
| 1st Quarter ended March 31, 2008 | \$ 0.0200 | \$ 0.0060 |

| | | |
|--------------------------------------|-----------|-----------|
| Fiscal Year Ended December 31, 2007 | | |
| 4th Quarter ended December 31, 2007 | \$ 0.0200 | \$ 0.0070 |
| 3rd Quarter ended September 30, 2007 | \$ 0.0280 | \$ 0.0100 |
| 2nd Quarter ended June 30, 2007 | \$ 0.0380 | \$ 0.0130 |
| 1st Quarter ended March 31, 2007 | \$ 0.0220 | \$ 0.0110 |

The closing price of our common stock as of March 20, 2009, was \$0.0100 per share.

Number of Shareholders

At March 20, 2009, we had approximately 160 stockholders of record of our common stock. This figure does not include beneficial owners of common stock held in nominee or street name, as we cannot accurately estimate the number of these beneficial owners.

Dividend Policy

We did not declare or pay any dividends during our fiscal years ended December 31, 2008 and 2007. There are no legal, contractual or other restrictions, which limit our ability to pay dividends. Payment of future dividends, if any, on our common stock, will be dependent upon the amounts of our future after-tax earnings, if any, and will be subject to the discretion of our Board of Directors. Our Board of Directors is not legally obligated to declare dividends, even if we are profitable. We have never paid any dividends on our common stock, and we have no plans to do so in the near future. Instead, we plan to retain any earnings to finance the development of the business and for general corporate purposes.

Penny Stock

Our common stock is subject to the provisions of Section 15(g) and Rule 15g-9 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), commonly referred to as the "penny stock rule." Section 15(g) sets forth certain requirements for transactions in penny stocks, and Rule 15g-9(d)(1) incorporates the definition of "penny stock" that is found in Rule 3a51-1 of the Exchange Act. The SEC generally defines "penny stock" to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Because our Common Stock is deemed to be a penny stock, trading in the shares is subject to additional sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. "Accredited investors" are persons with net worth, or joint net worth with their spouse, in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse, for each of the past two years and with the reasonable expectation of attaining the same level of income in the current year. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such security and must have the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document prepared by the SEC relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the

registered representative, and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information for the penny stocks held in an account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealers to trade and/or maintain a market in our Common Stock and may affect the ability of our shareholders to sell their shares.

Securities Authorized For Issuance Under Equity Compensation Plans

On September 13, 2006, our Board unanimously voted to adopt a Stock Option and Restricted Stock Plan (the “Plan”) and to submit such Plan to a vote of our shareholders. Our shareholders voted and approved the adoption of the Plan on December 1, 2006, at our annual shareholders meeting. The Plan provides for a share reserve of 18,000,000 common shares for future issuances as direct awards or upon exercise of options granted under the Plan. As of the date of this filing, no stock options or stock awards have been granted to our executive officers or our directors pursuant to the Plan.

The following table provides information with respect to the shares authorized for issuance under equity compensation plans of the Company.

Equity Compensation Plan Information

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|--|--|--|---|
| Equity compensation plans approved by security holders | - | - | 18,000,000 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | - | - | 18,000,000 |

Recent Sales of Unregistered Securities

On October 10, 2008, we sold 500,000 shares of our common stock and warrants to purchase an additional 250,000 shares of our common stock to an existing shareholder of the Company at a price of \$0.01 per unit for an aggregate of \$5,000. The warrants are exercisable upon issuance for a term of three years from date of issuance at an exercise price of 50% of the closing price of our common stock on the day immediately preceding the date of exercise. We believe the issuance of these securities was exempt from registration under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act of 1933, as amended (the “Securities Act”).

On October 14, 2008, we sold a total of 2,250,000 shares of our common stock to three existing shareholders upon exercise of stock warrants at an exercise price per share of \$0.0015, or 50% of the closing price of the common stock on the day immediately preceding the exercise date, for an aggregate of \$3,375. We believe the issuance of these securities was exempt from registration under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act. The stock certificates representing these 2,250,000 shares of restricted common stock were not issued to the shareholders until 2009, and therefore, for accounting purposes, the proceeds from the exercise of these warrants have been recognized in the financial statements as of December 31, 2008, included with this Annual Report

as shareholder deposits rather than as capital or as proceeds from the sale of common stock.

We did not engage in any other sales of our securities that were not registered under the Securities Act during the three month period ended December 31, 2008. Our sales of unregistered securities during the fiscal years ended December 31, 2006 and 2007, and during the nine months ended September 30, 2008, have been previously reported in our Annual Reports on Form 10-KSB, our Quarterly Reports on Form 10-Q or 10-QSB and/or our Current Reports on Form 8-K filed with the SEC.

Purchases of Equity Securities

We did not repurchase any of our securities during the fourth quarter of our fiscal year ended December 31, 2008.

ITEM 6.

SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

The following presentation of Management's Discussion and Analysis of Financial Condition and Results of Operation has been prepared by internal management and should be read in conjunction with the Financial Statements and notes thereto included in Item 8 of this Annual Report on Form 10-K. Except for the historical information contained herein, the discussion in this report contains certain forward-looking statements that involve risks and uncertainties, such as statements of our business plans, objectives, expectations and intentions as of the date of this filing. The cautionary statements about reliance on forward-looking statements made earlier in this document should be given serious consideration with respect to all forward-looking statements wherever they appear in this report, notwithstanding that the "safe harbor" protections available to some publicly reporting companies under applicable federal securities law do not apply to us as an issuer of penny stocks. Our actual results could differ materially from those discussed here.

Our Business

We were organized under the laws of the State of Nevada on October 28, 1993, as Mattress Showrooms, Inc. In 1997, we changed our corporate name to International Star, Inc. and became engaged in the business of construction, sale and operation of state of the art waste management systems, specializing in turnkey systems for management of hospital, industrial, petroleum, chemical and municipal solid waste collection systems. Despite our efforts, we were unable to develop this business beyond the start-up stage. Following our unsuccessful venture in waste management, we refocused our business efforts on mineral exploration in 1998. Currently, we are primarily engaged in the acquisition and exploration of precious and base metals mineral properties. Since 1998, we have examined various mineral properties prospective for precious and base metals and minerals and have acquired interests in those we believe may contain precious and base metals and minerals. Our properties are located in Arizona. Although we have confirmed the existence of mineralization in some of our properties, we have not established that any of our properties contain reserves. A reserve is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Further exploration will be needed before a final determination can be made whether any mineral extraction on our property is economically and legally feasible. Therefore, at present we have no reserves and no income from mineral production.

Going Concern

We have incurred substantial operating and net losses, as well as negative operating cash flow, since our inception. Accordingly, we continued to have significant stockholder deficits and working capital deficits during the year ended December 31, 2008. In recognition of these trends, our independent registered accountants have included cautionary statements in their report on our financial statements for the year ended December 31, 2008, that expressed "substantial doubt" regarding our ability to continue as a going concern. Specifically, our independent accountants have opined that the continuation of our Company as a going concern is dependent upon obtaining sufficient working capital to be

successful in that effort.

Our ability to continue as a going concern is dependent on obtaining additional working capital. Our management has developed a long-term strategy for generating revenues from our mineral properties, with a short-term focus on obtaining additional equity or debt funding until such operating revenues can be generated. We continue to consider and pursue available and feasible options to raise additional capital to fund our operating costs and to continue work on establishing the existence of mineral reserves within our properties to enable us to seek feasible revenue generating opportunities.

During the fourth quarter of 2008, we obtained funding from a related party to satisfy our current obligations and to continue exploration work on our Detrital Wash Property through the first quarter of 2009. See “– GENERAL – Financing.” We will need to raise additional equity or debt financing to fund our operating costs and our planned mineral exploration work and to service our current debt obligations for the remainder of 2009, unless and until we are able to generate substantial revenues from our mineral properties. If we do not obtain substantial additional financing, we may not have sufficient capital to continue operating as a public company or at all beyond the first quarter of 2009. We cannot assure that we will be able to obtain the necessary funding or, even if such financing is obtained, that we will be able to establish the existence of mineral reserves or generate revenues from our properties sufficient to sustain our continued operations or at all.

Financial Condition and Results of Operations

We have incurred substantial net losses since our inception as an exploration stage company. Our ability to generate revenue is dependent on our ability to establish the existence of mineral reserves on our properties. We have not generated any revenue during any period since the date of our inception, and unless and until we establish that such reserves exist, we will not have any revenue from our mineral operations.

Our current management has engaged consultants who have developed an exploration plan involving geochemical and geophysical exploration methods to determine under recognized industry standards whether mineral reserves exist on our properties. We have implemented an initial mapping and sampling phase of this plan that included assaying of collected geological samples. We believe the assay results from this initial phase justify further implementation of this exploration plan. During the fourth quarter of 2008, we obtained funding for a broader phase of assays of our collected samples. See “– GENERAL – Plan of Operation.” However, further exploration work will be dependent on our obtaining additional debt or equity financing.

We are currently considering potential options to obtain funding to continue exploration work on our properties and to fund our future operating and compliance costs. As of the date of this Annual Report, we have not yet obtained the necessary level of funds to further implement our exploration program on our Detrital Wash Property or to fund our operating and compliance costs beyond the first quarter of 2009. We cannot guarantee that we will obtain such financing on terms that will be favorable to us or at all, or, even if such financing is obtained, that we will determine that mineral reserves exist or that we will be able to commercially exploit any reserves found on our properties. See “– GENERAL – Going Concern.”

As of December 31, 2008, our total assets are \$29,413, consisting of \$8,889 in cash, \$11,388 in prepaid expenses and \$9,136 in property and equipment, net of depreciation. Our total assets at December 31, 2007, were \$108,676, consisting of \$96,141 in cash and \$12,535 in property and equipment, net of depreciation. The \$79,263 decrease in our total assets during the year ended December 31, 2008, is primarily due to a reduction in our cash resulting from our operating and compliance expenses during the interim period. These expenses have been largely comprised of costs associated with the development and implementation of our current mineral exploration program for our Detrital Wash claims and our general operating and compliance costs.

Our total liabilities as of December 31, 2008, are \$926,937, an increase of \$402,983 over total liabilities at December 31, 2007, of \$523,983. This increase is attributable primarily to our borrowing an additional \$275,000 under an existing line of credit and \$30,000 under a new line of credit to fund our exploration activities and general operating and compliance costs during the period, along with a \$70,489 increase in our accounts payable and a \$19,965 increase in accrued expenses at December 31, 2008. The increase in accounts payable is primarily attributable amounts owed at December 31, 2008, for consultant fees related to our exploration program and legal fees related to our regulatory compliance. The increase in accrued expenses is attributable to the accrued interest on our December 2007 line of

credit. See “– GENERAL – Financing” for a discussion of our lines of credit.

Fiscal Year Ended December 31, 2008, Compared to Fiscal Year Ended December 31, 2007

Net Loss. Our net loss for the fiscal year ended December 31, 2008, was \$541,218, compared to a net loss of \$400,340 during the fiscal year ended December 31, 2007, an increase of 35.19%. The significant increase in our net loss for the year ended December 31, 2008, over the year ended December 31, 2007, was due primarily to an almost five-fold increase in our mineral exploration costs during 2008. This large increase in our mineral exploration costs was partially offset by a significant decrease in professional fees and a moderate decrease in compensation and management fees during 2008 as compared to 2007.

Mineral Exploration Costs Expense. Mineral exploration costs expense for 2008, which included expenses related to geological sampling and mapping activities and assays performed on the samples taken from our properties, was \$257,898, compared to \$44,737 for 2007, an increase of \$213,161, or 476.48%. This substantial increase was the result of costs associated with the development and implementation of our current mineral exploration program for our Detrital Wash mining claims.

Professional Fees Expense. During 2008, professional fees expense decreased by \$84,879, or 33.80%, from \$251,119 during 2007, to \$166,240 during 2008. The significant decrease resulted primarily from the mutual termination of our consulting agreement with our financial consultant due to his acceptance of employment with one of our major shareholders.

Compensation and Management Fees Expense. Our compensation and management fees expense for 2008 decreased by \$5,174, or 14.17%, from \$36,500 during 2007 to \$31,326 during 2008 as a result of the resignation of one of our executive officers in August 2007, offset mostly by the salary of our current president, who was appointed in December 2007.

Depreciation and Amortization Expense. Depreciation and amortization expense was unchanged from 2007 to 2008 at \$3,400.

General and Administrative Costs Expense. We incurred a \$3,989, or 7.46%, increase in general and administrative costs to \$57,431 during the year ended December 31, 2008, compared to \$53,442 during the year ended December 31, 2007. The increase in general and administrative expense is attributable primarily to costs associated with our current exploration program and regulatory compliance costs.

Interest Income. Our interest income during 2008 was \$327, compared to \$2,612 during 2007.

Interest Expense. During 2008, we incurred interest expense of \$25,249 as a result of interest accruing on our line of credit obtained from Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. in December 2007. See "– GENERAL – Financing." Our interest expense for 2007, which was attributable to the December 2007 line of credit, was \$1,125.

Plan of Operation

During 2009, we intend to focus on obtaining sufficient financing to make the required filings to obtain legal title to the remainder of our lode claims in the Detrital Wash Property and to continue exploration work toward the establishment of precious and base metal reserves and assessment of the commercial viability of mineral extraction from deposits on these properties. If we are able to establish significant mineralization through our ongoing efforts, we may seek joint venture opportunities or potential investment by a larger resource mining company or investor to fund the additional exploration work and potential mineral extraction. We do not presently have plans to stake

additional claims to the Detrital Wash Property. However, we may add additional lode claims to our Detrital Wash Property for further exploration where we believe the land may hold commercial mining value, subject to available funding. See “PROPERTIES – Detrital Wash, Mohave County, Arizona Property.”

We do not presently plan to conduct development activities on the Wikieup Property during 2009. However, should adequate financial resources become available, we may aggressively pursue a program to identify any mineralization occurring on the Wikieup Property. See “PROPERTIES – Wikieup, Arizona Property.”

In 2008, we engaged as consultants an additional geologist and a registered professional mining engineer, both of whom are “qualified persons” under NI 43-101, along with our existing consultant geologist, to develop and conduct a program for our Detrital Wash Property of testing geological samples for the existence of minerals and mapping the existing geology. Our consultants have utilized the initial results of this program, which indicated the presence of copper, molybdenum and silver mineralization, to further design the exploration program to evaluate the mineral potential of our Detrital Wash Property. We have recently implemented a second phase of testing of geological samples collected during 2008 and are awaiting the results to determine the best course to obtain funding and to further implement our exploration program. We do not presently intend to conduct any significant additional sampling and mapping in the Detrital Wash Property; however, should any new claims be added to our inventory based on anticipated mineralization and available funding, we may extend this sampling and mapping program to any such new areas of interest.

Due to our limited financial resources, we do not anticipate any purchase or sale of property, plant, or other significant equipment, and we do not expect any significant changes in the number of our employees. However, employees, consultants and expertise will be added to the Company as management deems necessary and when financing permits.

During 2008, we added new lode claims and converted placer claims to lode claims where mineralization occurs in the bedrock in our Detrital Wash Property. Through August 2008, we maintained approximately 21,000 acres of placer claims in the Detrital Wash area. Based on assessments by our consultant geologists and mining engineer of the lack of placer deposits on these properties, we determined that our placer claims did not have sufficient value to justify the cost of maintaining the claims, and therefore, we released all of our placer claim holdings in the Detrital Wash area upon their expiration as of August 31, 2008. See “PROPERTIES – Detrital Wash, Mohave County, Arizona Property.”

During the second quarter of 2008, we obtained historical records created by various mining companies from the 1960’s through the 1980’s in connection with substantial exploration conducted in the Northern Black Mountains, where a portion of our Detrital mining claims are located. Work completed by these companies included soil sampling, stream sampling, rock sampling and drilling, bouguer gravity surveys, and resistivity and IP surveys. The historical soil, sediment and rock sampling data obtained by the Company indicated copper and molybdenum mineralization on the property in the form of projected and drilled areas of chalcocite mineralization. As part of our current exploration program, our geologist and engineering consultants are working to reproduce this historical data under NI 43-101 industry standards to verify the accuracy of the historical data.

In the initial phase of this exploration program, 252 assays were performed by Mountain States R&D International, Inc., an Arizona registered and licensed lab (“Mountain States”), on samples taken from our Detrital Wash claims. Results of these assays support the historical data indicating significant copper (Cu) and molybdenum (Mo) mineralization in both the Black Mountains and Northern White Hills areas of the Detrital region.

The assays report that copper values of the rock samples collected range from 25 parts per million (ppm) to 6.10% Cu (10,000 ppm equals one percent). A value of 20 ppm (or 0.002%) or higher is generally considered to be of potential value for exploration purposes. There were thirteen samples above 1.0% Cu, seventeen samples with values between 0.10% Cu and 0.99% Cu, and one soil sample at 0.081% Cu. The remainder of the rock and soil samples ranged from 25 ppm Cu to 599 ppm Cu. The molybdenum values from rock and soil samples range from nine samples below detection limit of 1 ppm Mo to 906 ppm Mo. Anomalous silver, lead and arsenic are also present in samples from the property.

Due to budget constraints, the assays performed in 2008 did not test for gold mineralization. However, our existing claim block consists of several former gold mines, and the historical data we have obtained indicates mineralization of gold in the area. In March 2009, we submitted the original 252 samples to Skyline Assayers & Laboratories in

Tucson, Arizona, an Arizona registered and licensed lab (“Skyline”), to be assayed for gold. As of the date of this filing, we are waiting to receive the results from these assays. We cannot provide assurance that mineralization of gold will be confirmed or that any mineralization determined by these or future assays will be sufficient to establish the existence of precious or base mineral reserves on our properties.

Based on the initial assay results from Mountain States, we have worked with our geologist and engineering consultants on planning and implementation of additional phases of geological testing to determine the mineral potential of these properties and the viability of extracting any mineral reserves discovered. In March 2009, in addition to assaying the original 252 samples for gold, we submitted over 200 additional samples collected during our initial sampling phase and several new samples to Skyline to be assayed for copper, molybdenum, and silver as well as gold mineralization. As of the date of this filing, we are waiting to receive the results from these assays.

Subject to available funding, the following phases of our exploration program will involve conducting geophysical probing and scanning of areas where mineralization is shown to exist by our geochemical assay results. The geophysical exploration methods may include core drilling and IP (induced polarization) and resistivity surveys as well as a VTEM (versatile time-domain electromagnetic) airborne survey. If we are able to obtain the necessary financing to substantially begin our geophysical exploration work, we anticipate such activities could commence as early as mid-to-late 2009. If these activities further indicate the potential existence of significant mineralization on our properties, we intend to conduct subsequent testing, as necessary, to determine whether such mineralization is of sufficient quantity to establish mineral reserves. If we are able to establish the existence of mineral reserves on our properties, management intends to pursue a means to exploit those reserves by commencing mining operations, selling or leasing our interest in the property, or entering into a joint venture with a larger resource company to develop the property to the production stage.

Implementation and completion of the anticipated geophysical exploration work as part of our exploration program are dependent on our obtaining funding through additional debt or equity financing. Our present funds have been used or allocated for payment of filing fees to the BLM for a portion of our lode mining claims in our Detrital Wash Property, for the recent assays submitted to Skyline and for our general operating and compliance costs through the first quarter of 2009. We continue to consider potential options to secure additional capital through debt or equity financing to fund our future operations. Pending favorable results from the assays submitted to Skyline, we may aggressively seek additional capital through potential joint venture opportunities with a larger resource mining company or from other equity investors to fund the planned phases of our exploration program and the extraction of any reserves established.

We cannot guarantee that the results of these assays will be favorable or that we will obtain such financing on terms that will be favorable to us or at all. We also cannot assure, even if such financing is obtained, that we will determine that mineral reserves exist on our properties or that we will be able to commercially exploit any such reserves. Our ability to establish and exploit any reserves of precious or base minerals found on our properties will depend, in part, on factors beyond our control, including technological capabilities in the mining industry, current economic conditions and the current market price of any minerals discovered. Until such funding is obtained, we are unable to continue our exploration program. See “– GENERAL – Going Concern.”

Financing

We do not have any revenues and continue to be dependent on debt and equity financing to meet our immediate cash needs. We continue to pursue means to fund our current and future operations and to both continue and expand our exploration activities, either by seeking additional capital through loans or private placements of our securities, or by entering into joint venture or similar arrangements with one or more other, more substantial companies.

On December 3, 2007, we obtained a \$500,000 revolving line of credit from Kilpatrick’s Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (“KRFH”). This line of credit carries simple interest at the rate of 6% per annum. All unpaid principal and accrued interest is due on December 2, 2010 (the “Maturity Date”). Until the Maturity Date, we are only required to pay interest, with the first such payment due in arrears on June 3, 2008, and then with

additional payments every 90 days thereafter. At any time, KRFH can demand immediate repayment of the outstanding balance on the line of credit with ten days notice. Any payments due from us that are not paid within ten days of the due date are subject to late fee of 5%. We have the right to prepay any amounts due KRFH at any time without penalty. As of December 31, 2008, we have borrowed the entire amount of the line of credit, and we have paid a total of \$9,263 in interest toward this line of credit. We used the proceeds from the line of credit to partially fund our operating and compliance costs during 2008.

The line of credit is secured by a 51% interest in our Detrital Wash Property and Wikieup Property and in any future claims acquired by us, as well as all proceeds and products from such properties (collectively, the "Collateral"). In the event we default, KRFH may institute legal action against us and foreclose against the Collateral. In such event, KRFH would be entitled to its collection costs, including attorney fees and courts costs.

Our Chairman of the Board, Ms. Virginia Shehee, may be deemed the beneficial owner of over 50% of the outstanding shares of KRFH due to the voting power she has obtained pursuant to a voting agreement. Due to the voting power she has obtained pursuant to a similar voting agreement, Ms. Shehee may also be deemed the beneficial owner of over 50% of the outstanding shares of Kilpatrick Life Insurance Company ("KLIC"), one of our major shareholders. Ms. Shehee serves as Chairman of the Board of KLIC and until July 1, 2008, served as its President and Chief Executive Officer. KLIC also employs as its Corporate Secretary Ms. Jacquelyn Wine. Ms. Wine is our Secretary, Treasurer/Chief Financial Officer and one of our directors.

During third quarter of 2008, we raised \$50,000 through the sale of our restricted common stock and common stock warrants. During the fourth quarter of 2008, we raised an additional \$5,000 through the sale of our restricted common stock and common stock warrants. We also raised \$3,375 during the fourth quarter of 2008 through the sale of shares of our restricted common stock upon exercise of stock warrants issued during the previous quarter; however, because the stock certificates representing these shares were not issued until 2009, for accounting purposes, this amount has been recognized in the financial statements included with this Annual Report as shareholder deposits rather than as capital or as proceeds from the sale of common stock. We believe these issuances were exempt from registration under Rule 506 of Regulation D under Section 4(2) of the Securities Act. See "MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS – Recent Sales of Unregistered Securities." In addition to the \$58,375 raised through the sale of our restricted common stock and common stock warrants described above, we received overpayments totaling \$4,125 in connection with the above-described exercises of stock warrants and in connection with stock warrants that were not properly exercised. These funds have been reimbursed to the respective shareholders or, in the case of the improper exercise, have been held by us at the request of the shareholder pending proper exercise of the warrants. We did not secure any additional funding through the issuance of our common stock during 2008.

On December 1, 2008, we obtained a short-term line of credit of up to \$200,000 from KRFH. Funds advanced to us under the line of credit carry simple interest at the rate of 10% per annum beginning on the date of each advance. All unpaid principal and accrued interest on funds advanced under the line of credit is due on March 31, 2009 (the "2009 Maturity Date"). No payments on this line of credit are required until the 2009 Maturity Date. However, for any principal amounts due from us that are not paid within five days after the 2009 Maturity Date, the simple interest rate will increase to 18% per annum effective as of the 2009 Maturity Date. We have the right to prepay any amounts owing under the line of credit at any time without penalty. We also have the right to pay the amounts due, at our election, in the form of cash payment, issuance of shares of our common stock, or any combination thereof. As of December 31, 2008, we have borrowed \$30,000 under this line of credit.

In the event we default under the Loan Documents, KRFH may institute legal action against us. In such event, KRFH would be entitled to its collection costs, including attorney fees and courts costs. The line of credit is unsecured.

We used the proceeds from the sales of our equity securities in 2008 and the amount borrowed from the short-term line of credit obtained in December 2008 to fund the balance of our 2008 operating and compliance costs. We plan to use the remaining portion of the line of credit to fund our operating and compliance costs during the first quarter of 2009. We do not have any revenues and continue to be dependent on debt and equity financing to meet our immediate cash needs, and we do not anticipate achieving any revenues through the first quarter of 2009. Because it is unlikely we will achieve sufficient revenues for the repayment of the short-term line of credit by the 2009 Maturity Date, we

will be required to issue shares of our common stock to KRFH unless we can raise the necessary funds through further debt or equity financings. We will also need to raise additional funds through debt or equity financings to continue our operations. We can provide no assurance that we will be able to raise the funds necessary for the repayment of the line of credit and for our continued operations on terms favorable to us or at all.

During our fiscal year ended December 31, 2007, we raised an aggregate of \$210,000 through the private placement of our restricted common stock. We believe the issuances were exempt from registration under Section 4(2) of the Securities Act.

Historically, certain of our directors have from time to time advanced funds to our Company for the payment of operating expenses. These advances have been repaid in cash and through the issuance of restricted shares of our common stock. There were no amounts owing to the Company's directors at December 31, 2008 or 2007, and during the year ended December 31, 2008, our directors did not advance any funds to the Company.

LIQUIDITY

Liquidity and Capital Resources

| | Year ended December 31, | |
|---|-------------------------|--------------|
| | 2008 | 2007 |
| Net cash used in operating activities | \$ (447,252) | \$ (342,119) |
| Net cash provided by investing activities | — | — |
| Net cash provided by financing activities | 360,000 | 435,000 |

General

Overall, we had negative cash flows of \$87,252 for the fiscal year ended December 31, 2008, resulting from \$447,252 used in our operating activities and \$360,000 provided by our financing activities. No cash was provided by investing activities during the fiscal year ended December 31, 2008. For the fiscal year ended December 31, 2007, we had positive cash flows of \$92,881. The decrease in cash flows for the year ended December 31, 2008, over the year ended December 31, 2007, reflects a \$105,133 increase in cash used for operating activities and a \$75,000 decrease in cash provided by financing activities during 2008 compared to the respective amounts in 2007.

Cash Used in Our Operating Activities

For the year ended December 31, 2008, net cash used in our operating activities of \$447,252, an increase of \$105,133, or 30.73%, from the year ended December 31, 2007. This increase was due to the \$140,878 increase in our net loss for 2008 over 2007, which resulted primarily from the greater amounts expended for our increased mineral exploration activity on our Detrital Wash Property. The effect of the greater net loss in 2008 on our cash flows from operating activities was offset partially by other variables, most notably a larger increase in accounts payable and accrued expenses during 2008 compared to 2007. The larger increase in accounts payable and accrued expenses was due to amounts owed at December 31, 2008, for consultant fees related to our exploration program and legal fees related to our regulatory compliance and the accrued interest on our December 2007 line of credit.

Cash Provided by Our Financing Activities

Net cash provided by our financing activities of \$360,000 during the year ended December 31, 2008, was comprised of \$275,000 provided by proceeds from a line of credit we obtained in December 2007, \$55,000 provided by the sale of our common stock and stock warrants in August, September and October 2008 (not including \$3,375 provided by the exercise of stock warrants recognized as shareholder deposits in the accompanying December 31, 2008, financial statements) and \$30,000 provided by proceeds from a short-term line of credit we obtained in December 2008. See “— GENERAL – Financing” and “MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS – Recent Sales of Unregistered Securities.” This reflects a decrease of \$75,000 as

compared to net cash provided by financing activities during the year ended December 31, 2007. This decrease is due to fewer sales of the Company's equity securities in 2008 and the substantial line of credit proceeds borrowed in December 2007. Net cash provided by financing activities during 2007 resulted from proceeds from the sale of our common stock and from the line of credit obtained in December 2007.

Internal Sources of Liquidity

For the fiscal year ended December 31, 2008, the funds generated from our operations were insufficient to fund our daily operations. We can provide no assurance that funds from our operations will meet the requirements of our daily operations in the future. Unless and until funds from our operations are sufficient to meet our operating requirements, we will continue to need to seek other sources of financing to maintain liquidity.

External Sources of Liquidity

Because we have been unable to generate funds from operations sufficient to fund our daily operations, we must rely on external sources of liquidity. We continue to consider and pursue potential financing options to secure funds to continue and, where possible, grow our business operations. Our management will review any financing options at its disposal, and will judge each potential source of funds on its individual merits.

On December 3, 2007, we obtained a \$500,000 revolving line of credit from KRFH. During the year ended December 31, 2008, we borrowed the full remaining \$275,000 available under the line of credit at December 31, 2007, to fund our operating and compliance costs. As of December 31, 2008, we have used all of these funds to pay operating and compliance expenses in 2008. See “– GENERAL – Financing.”

During the year ended December 31, 2008, we raised \$58,375 through the sale of our restricted common stock and common stock warrants, of which \$55,000 has been recognized as capital in our financial statements as of December 31, 2008. See “MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS – Recent Sales of Unregistered Securities” and “– GENERAL – Financing.”

Finally, on December 1, 2008, we obtained a \$200,000 short-term line of credit from KRFH. During December 2008, we borrowed \$30,000 under this line of credit to fund the remainder of our operating and compliance costs for 2008. See “– GENERAL – Financing.” We intend to use the remaining amount available under this short-term line of credit to fund our operating and compliance costs for the first quarter of 2009.

Because we presently do not have sufficient revenues to fund our operating and compliance costs or to fund our repayment of these two lines of credit, we will need to raise other funds in 2009 through debt and equity financings. We can provide no assurance that we will be able to raise the necessary funds on terms favorable to us or at all. See “– GENERAL – Going Concern.”

Inflation

Management believes that inflation has not had a material effect on our results of operations in 2007 and 2008, and does not expect that it will in fiscal year 2009, except that a return of higher fuel and energy prices similar to summer 2008 price levels could materially and adversely impact the Company by increasing costs for our exploration program.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Financial Statements and supplementary data are included beginning immediately following the signature page to this Annual Report. See Item 15 for a list of the Financial Statements and financial statement schedules included with this filing.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

Our President and our Treasurer/Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K, December 31, 2008. Based on this evaluation, our President and our Treasurer/Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report were effective in timely alerting management to material information relating to us and required to be included in our periodic filings with the SEC.

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our periodic reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Internal Control over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Our management has assessed the effectiveness of our internal control over financial reporting based on the criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria in Internal Control — Integrated Framework, we concluded that

there are material weaknesses in our internal control over financial reporting as of December 31, 2008, with respect to the lack of segregation of duties pertaining to our financial record keeping responsibilities and our lack of an audit committee, both of which are due to the small size of our Company.

Because we do not have any employees other than our President and our Secretary and Treasurer, our ability to segregate financial record keeping and monitoring responsibilities is limited. This could potentially allow financial inaccuracies or unauthorized transactions to go undetected. Additionally, due to the small size of our board of directors and our current lack of independent directors, we do not have, and historically have not had, an audit committee. Historically, the board of directors as a whole has performed the functions of an audit committee, such as monitoring record keeping and financial reporting of the Company's transactions, approving transactions not made in the ordinary course of business and related party transactions, and evaluating and approving the hiring of the Company's auditor. Because our management makes up a significant portion, currently a majority, of our board of directors, management can significantly influence or control the board's decisions with respect to matters considered by the board.

As a result of the material weaknesses in our internal control over financial reporting described herein, we have concluded that our internal control over financial reporting is not effective as of December 31, 2008. However, notwithstanding these inherent internal control weaknesses due to our small size, management believes that the Company's limited resources and general lack of extensive or complex business transactions partially mitigates the risk posed by these weaknesses. Management also believes that the Company's records as of December 31, 2008, fairly and accurately reflect the Company's transactions and dispositions of assets as necessary to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles and that our receipts and expenditures have been made only with proper authorization.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

Changes in Internal Control Over Financial Reporting

There was no change in our internal controls that occurred during the fourth quarter of the period covered by this report that has materially affected, or is reasonably likely to affect, the Company's internal controls over financial reporting.

ITEM 9B.

OTHER INFORMATION

None.

[The remainder of this page is intentionally left blank.]

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our executive officers and directors and their respective ages as of the date of this report are as follows:

| Name | Age | Position(s) Held | Date Service Began |
|---------------------|-----|--|--------------------|
| Virginia K. Shehee | 85 | Chairman of the Board of Directors | January 2005 |
| Sterling M. Redfern | 75 | President, Director | December 2007 |
| Jacquelyn B. Wine | 65 | Secretary, Treasurer / Chief Financial Officer, Director | January 2007 |

Ms. Virginia K. Shehee has served as the Chairman of our Board of Directors since May 2005 and as a director of the Company since January 2005. Ms. Shehee concurrently serves as Chairman of the Board of Kilpatrick Life Insurance Company, a major shareholder of our Company, and Kilpatrick's Rose-Neath Funeral Homes and Cemeteries, Inc. Ms. Shehee served as the President and Chief Executive Officer of Kilpatrick Life Insurance Company and Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. from October 1971 to July 2008. Ms. Shehee is a former State Senator of Louisiana and has served on the Forum 500 Board of Governors and on the Committee on Committees of the American Council of Life Insurance (ACLI). She has also served on the Board of Directors and on the Taxation Steering Committee of the ACLI. In addition, Ms. Shehee is Chairman Emeritus of the Biomedical Research Foundation of Northwest Louisiana, for which she has previously served as the President and Chairman of its board of directors. Ms. Shehee is a director of the Louisiana Insurers' Conference and has previously served in various executive capacities for the Life Insurers Conference. She is the chairman of the Louisiana Life & Health Insurance Guaranty Association and a member of the National Organization of Life and Health Insurance Guaranty Association.

Mr. Sterling M. Redfern has served as President and as a director of the Company since December 2007. From March 2001 through September 2003, Mr. Redfern served as a director of Cryocon, Inc, but has otherwise been retired since December 2003. From June 1960 to December 1994, Mr. Redfern was the President/Chief Executive Officer of Educational Employees Credit Union (EECU) located in Bridgeton, Missouri. Mr. Redfern has also served as a director of the Missouri Credit Union League, the Credit Union National Association, and the Metro Collegian Baseball League. He has also served as President of the Metro Collegian Baseball League, as a member of the Governor's White House Conference on Education in Missouri and as a member of the Board of Education, Pattonville School District, Bridgeton, Missouri. In 1955, Mr. Redfern received a Bachelors of Arts Degree in Mathematics from Arkansas State University, located in Jonesboro, Arkansas.

Ms. Jacquelyn B. Wine has served as Secretary and Treasurer/Chief Financial Officer of the Company since May 2008 and as a director of the Company since July 2007. She served as Acting Secretary of the Company from January 2007 to May 2008 and as Acting Treasurer/Chief Financial Officer of the Company from August 2007 to May 2008. Ms. Wine is also the Corporate Secretary for Kilpatrick Life Insurance Company, a major shareholder of our Company, a position she has held since August 2008. From March 1995 to August 2008, she served as Assistant Secretary/Treasurer of Kilpatrick Life Insurance Company. She began working for Kilpatrick Life Insurance Company as Executive Assistant to the President in 1990. From February 1979 to September 1990, Ms. Wine concurrently served as Corporate Secretary of two related companies, McConathy Oil and Gas Company and McConathy Production, Inc.

Term of Office

Our directors are elected for a one-year term to hold office until the next annual meeting of our shareholders, or until removed from office in accordance with our bylaws and applicable law. Our officers are appointed by our Board of Directors and hold office until the earlier of their resignation or removal by the Board, except for our President, Sterling Redfern. On March 19, 2008, the Company entered into a formal employment agreement with Mr. Redfern, effective as of April 1, 2008. Under the agreement, Mr. Redfern will serve as our President for a term of one year, after which he may continue to serve at the will of the parties. See “EXECUTIVE COMPENSATION – Employment Agreements.”

Family Relationships

There are no familial relationships among any of our directors, executive officers, or persons nominated or chosen to become directors or executive officers.

Involvement in Certain Legal Proceedings

During the past five years, no present or former director, executive officer or person nominated to become a director or an executive officer of the Company:

- (1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or within two years prior to that time;
- (2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- (4) was found by a court of competent jurisdiction (in a civil action), the SEC, the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Director Nomination Procedures

We have not adopted formal procedures for nominating director candidates. Our Board of Directors identifies qualified director nominees from among persons known to the members of the Board, by reputation or otherwise, and through referrals from trusted sources, including management, existing Board members, and shareholders. The Board evaluates candidates based upon the candidate's qualifications, recommendations, or other relevant information, which includes a personal interview. The Board then considers and approves candidates for nomination.

Section 16 Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the SEC on Forms 3, 4 and 5. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely upon review of the copies of such reports furnished to us during, and with respect to, the fiscal year ended December 31, 2008, or any written representations we received from a director, officer, or beneficial owner of more than 10% of our common stock that no other reports were required during that period, we believe that, for the fiscal year ended December 31, 2008, all Section 16(a) filing requirements applicable to our reporting persons were met except for as follows: One of our directors, Joe Rice, who resigned from our Board effective January 2, 2009, inadvertently failed to timely file a Form 3. Jacquelyn Wine, our Secretary and Treasurer/Chief Financial Officer, filed an amended Form 3 to disclose shares owned by her husband inadvertently omitted from her Form 3 filed in 2007.

Code of Ethics

We have adopted a Code of Ethics applicable to our principal executive officers, principal financial officers, principal accounting officers or controllers, or persons performing similar functions, a copy of which was filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005. In addition, a copy of our code of ethics can be obtained without charge by writing our Company at P.O. Box 7202, Shreveport, Louisiana 71137.

Audit Committee and Financial Expert Disclosures

Section 301 of the Sarbanes-Oxley Act of 2002, and SEC regulations implementing that provision require that public companies disclose a determination by their Board of Directors as to the existence of a financial expert on their audit committee and, if none is determined to exist, that the Board of Directors has determined that no one serving on its Board of Directors meets the qualification of a financial expert as defined in the Sarbanes-Oxley Act and implementing regulations.

As of December 31, 2008, and as of the date of filing of this report, we have not created any standing committees of the Board of Directors, including an audit committee. Accordingly, our entire Board of Directors serves as our audit committee.

We also disclose that our Board has determined that we have not possessed, and we do not possess, on our Board of Directors anyone who qualifies as an audit committee financial expert, and unless and until one is identified and agrees to serve, we will continue to rely on outside professional consultants who advise us with respect to audit matters.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation of our executive officers during the fiscal years ended December 31, 2008 and 2007:

Summary Compensation Table

| Name and principal position | Year | Salary | Bonus | Stock awards | Option awards | Non-equity incentive plan compensation | Change in pension value and non-qualified deferred compensation earnings | All other compensation | Total |
|---|------|----------|-------|--------------|---------------|--|--|------------------------|----------|
| Sterling M. Redfern, President(1) | 2008 | \$39,600 | -- | \$3,900(2) | -- | -- | -- | -- | \$43,500 |
| | 2007 | 2,700 | -- | 1,300(3) | -- | -- | -- | \$10,000(4) | 14,000 |
| Jacquelyn B. Wine, Secretary and Treasurer / Chief Financial Officer(5) | 2008 | -- | -- | -- | -- | -- | -- | -- | -- |
| | 2007 | -- | -- | -- | -- | -- | -- | -- | -- |

(1) Mr. Redfern was appointed President of the Company by our Board of Directors on December 6, 2007.

(2)

Edgar Filing: INTERNATIONAL STAR INC - Form 10-K/A

Represents 300,000 shares of our common stock issued on April 30, 2008, valued based upon the closing price of our common stock on the date of issuance of \$0.013 per share. These shares were issued to Mr. Redfern for his services to the Company during the months of January through March 2008.

- (3) Represents 100,000 shares of our common stock issued on April 30, 2008, valued based upon the closing price of our common stock on the date of issuance of \$0.013 per share. These shares were issued to Mr. Redfern for his services to the Company during the month of December 2007.
- (4) Includes \$10,000 in fees paid to Mr. Redfern as compensation for consulting services provided to the Company by Mr. Redfern from August 2007 to November 2007 prior to his appointment as our President.
- (5) Ms. Wine was appointed Secretary and Treasurer/Chief Financial Officer by our Board of Directors on May 19, 2008. She was appointed Acting Secretary by our Board of Directors on January 16, 2007, and Acting Treasurer/Chief Financial Officer on August 16, 2007. She did not receive compensation for her services as an officer of the Company during 2008 or 2007.

Employment Agreements

On December 6, 2007, our Board of Directors appointed Sterling M. Redfern to be our President and a director of the Company. As compensation for serving as our President, the Board agreed to pay Mr. Redfern \$2,700 a month and to issue to him 100,000 shares of our common stock per month. Mr. Redfern agreed to be responsible for all withholding taxes on this compensation. All shares of Company common stock received by Mr. Redfern as part of his compensation would not be adjusted for any reverse split, and the shares would be issued to him on a quarterly basis. The terms of Mr. Redfern's compensation were partially documented in the Board resolution offering Mr. Redfern his position. The Board issued 400,000 shares of common stock to Mr. Redfern on April 30, 2008, for his services to the Company for the months of December 2007 through March 2008.

On March 19, 2008, our Board of Directors renegotiated Mr. Redfern's compensation and entered into a formal employment agreement with Mr. Redfern effective April 1, 2008. Under the agreement, Mr. Redfern will serve as our President for a term of one year, after which he may continue to serve at the will of the parties. As compensation for serving as our President, Mr. Redfern will receive an annual salary of \$42,000. The original terms of the agreement provided that Mr. Redfern would also receive two non-qualified stock options pursuant to the Company's 2006 Stock Option Plan (the "Plan") for 5,000,000 shares of our common stock at an exercise price of \$0.01 per share and an additional 5,000,000 shares of our common stock at an exercise price of \$0.03 per share. This agreement was amended by the Company and Mr. Redfern on August 13, 2008, to ensure that the terms of the agreement with respect to stock options are consistent with the terms of the Plan. The amended agreement provides that, in addition to an annual salary of \$42,000, Mr. Redfern will receive stock options for an aggregate of 10,000,000 shares of our common stock to be granted on such dates and according to such terms as designated by our Board of Directors pursuant to the Plan. To date, no stock options have been issued to Mr. Redfern.

Prior to Mr. Redfern's appointment as our President, he served as a consultant to the Company from August 2007 to November 2007. During that time, the Company paid Mr. Redfern an aggregate of \$10,000 in fees for his consulting services.

We do not have any written employment agreement for Ms. Wine to serve as our Secretary and Treasurer/Chief Executive Officer, nor have any terms of compensation for Ms. Wine been approved by our Board of Directors. As of the date of this filing, she has not received compensation for her services as an officer of the Company. She may or may not receive compensation for her services in the future.

Stock Option and Stock Award Grants

No stock options were granted to our executive officers or directors during the year ended December 31, 2008.

On April 30, 2008, we issued to our President, Sterling M. Redfern, 400,000 shares of our common stock as compensation for his services as an officer of the Company during the months of December 2007 through March 2008. See "– Employment Agreements."

Exercises of Stock Options and Year-End Option Values

No stock options were exercised by our named executive officers during the fiscal year ended December 31, 2008, nor have any stock options been exercised by our named executive officers since December 31, 2008, through and including the filing date of this report.

No unexercised stock options or unvested stock awards were outstanding as of December 31, 2008.

Pension and Other Benefits

We do not currently have in effect any plan that provides for payment to our executive officers of specified retirement benefits or benefits that will be paid primarily following retirement.

Nonqualified Deferred Compensation

We do not currently have in effect any defined contribution or other plan that provides for the deferral of compensation to any of our executive officers on a basis that is not tax-qualified.

Payments Upon Termination or Change-In-Control

We do not currently have in effect any compensatory plan or other arrangement that provides for payments or the provision of benefits to any of our executive officers upon their termination of employment with the Company or upon a change in control of the Company or a change in the officer's responsibilities.

Compensation of Directors

Our directors did not receive any fees or other compensation for the services they provided to the Company as directors during 2008. We do not anticipate providing any such fees to our directors for their service during 2009.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of March 1, 2008, by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities; (ii) each of our directors and named executive officers; and (iii) all of our officers and directors as a group. Except as otherwise indicated, all stockholders have sole voting and investment power with respect to the shares listed as beneficially owned by them, subject to the rights of spouses under applicable community property laws.

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Shares Outstanding (1) |
|---|---|-----------------------------------|
| 5% or greater holders: | | |
| Kilpatrick Life Insurance Company | 52,351,682 | 18.60% |
| Kamal Alawas (2) | 27,964,524 | 9.93% |
| Directors and executive officers: | | |
| Sterling M. Redfern | 400,000 | * |
| Virginia K. Shehee (3) | 61,022,590 | 21.68% |
| Jacquelyn B. Wine (4) | 311,667 | * |
| All directors and executive officers as a group (4 persons) | 61,734,257 | 21.93% |

* Less than 1%.

(1) The percentage of our common stock beneficially owned was calculated based on 281,512,274 shares of our common stock outstanding as of March 1, 2009.

(2) Includes 1,500,000 shares beneficially owned by Alawas Investments, an entity controlled by Mr. Alawas.

(3) Includes 52,351,682 shares beneficially owned by Kilpatrick Life Insurance Company, a privately-owned company controlled by Ms. Shehee, and an aggregate of 4,090,098 shares held in Mrs. Shehee's IRA accounts.

(4) Includes 211,667 shares owned by Ms. Wine's husband.

Securities Authorized For Issuance Under Equity Compensation Plans

See “MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS – Securities Authorized For Issuance Under Equity Compensation Plans” for information regarding the shares of our common stock authorized for issuance under our 2006 Stock Option Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

Except for the transactions described below, during 2008 and 2007, none of our directors, officers or principal stockholders, nor any associate or affiliate of the foregoing have any interest, direct or indirect, in any transaction, or in any proposed transactions, which has materially affected or will materially affect us.

Transactions with Executive Officers and Directors

During 2007, we paid \$10,000 in consulting fees to Sterling M. Redfern for services he provided to the Company from August 2007 to November 2007. Mr. Redfern was appointed as our President on December 6, 2007. We paid \$8,500 in consulting fees during 2007 to Dorothy Wommack, who served as our Secretary and Treasurer/Chief Financial Officer until her removal by the Board of Directors on January 16, 2007, for temporary assistance she provided to our Acting Secretary following Ms. Wommack’s removal as an officer of the Company.

Transactions with Other Related Parties

As discussed above, on December 3, 2007, we obtained a \$500,000 revolving line of credit from Kilpatrick’s Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (“KRFH”). The line of credit carries simple interest at the rate of 6% per annum. All unpaid principal and accrued interest is due on December 2, 2010 (the “Maturity Date”). Until the Maturity Date, we are only required to pay interest, with the first such payment due in arrears on June 3, 2007, and then with additional payments every 90 days thereafter. At any time, KRFH can demand immediate repayment of the outstanding balance on the line of credit with ten days notice. Any payments due from us that are not paid within ten days of the due date are subject to late fee of 5%. We have the right to prepay any amounts due KRFH at any time without penalty. As of December 31, 2008, we have borrowed \$500,000 under this line of credit, and we have paid a total of \$9,263 in interest toward this line of credit.

Our Chairman of the Board, Ms. Virginia Shehee, may be deemed the beneficial owner of over 50% of the outstanding shares of KRFH due to the voting power she has obtained pursuant to a voting agreement. Due to the voting power she has obtained pursuant to a similar voting agreement, Ms. Shehee may also be deemed the beneficial owner of over 50% of the outstanding shares of Kilpatrick Life Insurance Company (“KLIC”), one of our major shareholders. Ms. Shehee serves as Chairman of the Board of KLIC and until July 1, 2008, served as its President and Chief Executive Officer. KLIC also employs as its Corporate Secretary Ms. Jacquelyn Wine. Ms. Wine is our Secretary, Treasurer/Chief Financial Officer and one of our directors.

Additionally, on December 1, 2008, we obtained a short-term line of credit of up to \$200,000 from KRFH. Funds advanced to us under the line of credit carry simple interest at the rate of 10% per annum beginning on the date of each advance. All unpaid principal and accrued interest on funds advanced under the line of credit is due on March 31, 2009 (the “2009 Maturity Date”). No payments on this line of credit are required until the 2009 Maturity Date. However, for any principal amounts due from us that are not paid within five days after the 2009 Maturity Date, the simple interest rate will increase to 18% per annum effective as of the 2009 Maturity Date. We have the right to

prepay any amounts owing under the line of credit at any time without penalty. We also have the right to pay the amounts due, at our election, in the form of cash payment, issuance of shares of our common stock, or any combination thereof. As of December 31, 2008, we have borrowed \$30,000 under this line of credit. We have not made any payments of interest or principal on this line of credit.

We believe the terms of these lines of credit are no less favorable to us than we could have obtained from an unaffiliated third party. See “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION – GENERAL – Financing” for more information regarding the lines of credit.

Director Independence

Our Articles of Incorporation allow us to have a Board of Directors consisting of no less than two and no more than five directors. Currently, our Board of Directors consists of three directors. We do not believe that any of our current directors would qualify as “independent” under the listing standards of The Nasdaq Stock Market, which we use to determine whether each of our directors is independent. Under Nasdaq rules, an “independent director” generally means a person other than an officer or employee of the listed company or its subsidiaries, or any other individual having a relationship which, in the opinion of the listed company’s board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Certain categories of persons are deemed not to be independent under the Nasdaq rules, such as persons employed by the listed company within the last three years, and persons who have received (or whose immediate family members have received) payments exceeding a specified amount from the listed company within the last three years, excluding payments that are not of a disqualifying nature (such as compensation for board service, payments arising solely from investments in the listed company’s securities, and benefits under a tax-qualified retirement plan).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We appointed the accounting firm of Madsen & Associates CPA’s, Inc. (“Madsen”) to serve as our independent auditors for the fiscal years ended December 31, 2008 and 2007. The following table represents aggregate fees billed for professional audit services rendered by Madsen to provide the audit of our annual financial statements for the years ended December 31, 2008, and December 31, 2007, respectively:

| | 2008 | 2007 |
|--------------------|-----------|-----------|
| Audit fees | \$ 20,920 | \$ 21,013 |
| Audit-related fees | -- | -- |
| Tax fees | -- | -- |
| All other fees | -- | -- |

Audit Fees

Audit Fees consist of fees billed for professional services rendered for auditing our annual financial statements, reviews of our interim financial statements included in our quarterly reports and services performed in connection with other filings with the SEC. We incurred audit fees from Madsen of \$20,920 during 2008 and \$21,013 during 2007.

Audit Related Fees

Audit Related Fees may consist of fees billed for professional services rendered in connection with comfort letters and other services that are normally provided by our independent auditors in connection with statutory and regulatory filings or engagements. We did not incur any audit related fees from Madsen during 2008 or 2007.

Tax Fees

Tax Fees may consist of fees for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions. We did not incur any tax fees from Madsen during 2008 or 2007.

All Other Fees

We did not incur any other fees from Madsen during 2008 or 2007.

ITEM 15.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Index

Exhibit

| No. | Description |
|------|--|
| 2.1 | Acquisition Agreement and Plan of Reorganization dated November 15, 2002, by and among the Company, Pita King Bakeries and the Shareholders of Pita King (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 19, 2002) |
| 3.1 | Articles of Incorporation of the Company dated October 26, 1993 (incorporated by reference to Exhibit 3.(I) to the Company's registration statement on Form 10-SB filed on January 12, 2000) |
| 3.2 | Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on January 22, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006) |
| 3.3 | Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on February 18, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006) |
| 3.4 | Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on April 30, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006) |
| 3.5 | Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on April 30, 1997 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006) |
| 3.6 | Certificate of Amendment to Articles of Incorporation, as filed with the Nevada Secretary of State on December 21, 2004 (incorporated by reference to Exhibit 3.(i) to the Company's Annual Report on Form 10-KSB, as amended, for the year ended December 31, 2005, filed on August 18, 2006) |
| 3.7 | Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.7 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008) |
| 4.1 | Form of 2006 Stock Option Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement for the Annual Meeting of Shareholders filed on November 13, 2006) |
| 10.1 | Mining Property Lease Agreement dated March 2, 1998, between the Company and James R. Ardoin (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, filed on July 22, 2004) |
| 10.2 | Exploration Rights Agreement dated February 13, 2004, between the Company and Associated Placer Group (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 2004, filed on July 30, 2004) |
| 10.4 | Joint Venture Agreement dated January 10, 2006, between the Company and Resolve Capital Funding Corporation, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on January 17, 2006) |

- 10.5 Agreement dated September 23, 2000, between the Company, Gold Standard Mines, Inc. and Howard Sadlier (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005, filed on April 14, 2006)
- 10.6 Assignment of Rights to Proprietary Formula dated March 21, 2001, between the Company, Gold Standard Mines, Inc. and Howard Sadlier (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005, filed on April 14, 2006)
- 10.7 Mutual Agreement to Dissolve Business Relationships with an effective date of January 1, 2004, between the Company Pita King Bakeries International, Inc. (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005, filed on April 14, 2006)
- 10.8 Subscription Agreement dated January 12, 2007, between the Company and John E. Tuma (incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.9 Subscription Agreement dated January 15, 2007, between the Company and RMRB, LLC (Kenneth Rodney Reeves) (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.10 Subscription Agreement dated January 18, 2007, between the Company and John E. Tuma (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.11 Subscription Agreement dated January 24, 2007, between the Company and Snyder Land Management, LLC (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.12 Subscription Agreement dated April 9, 2007, between the Company and Kenneth Rodney Reeves (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.13 Subscription Agreement dated April 17, 2007, between the Company and MoMe Investments, LLC (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.14 Subscription Agreement dated April 17, 2007, between the Company and Jill W. Folks (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.15 Subscription Agreement dated April 17, 2007, between the Company and Kenneth Rodney Reeves (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007, filed on March 31, 2008)
- 10.16 Corporate Loan Agreement, entered into on December 3, 2007, by Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 26, 2007)
- 10.17 Corporate Promissory Note, dated December 3, 2007, and issued by the Company to Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 26, 2007)
- 10.18 Security Agreement, entered into on December 3, 2007, by Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. and the Company (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 26, 2007)

- 10.19 Officer Employment Agreement between International Star, Inc. and Sterling M. Redfern, as amended on August 13, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on August 14, 2008)
- 10.20* Subscription Agreement dated August 22, 2008, between the Company and Plaut Holdings J
- 10.21* Subscription Agreement dated August 22, 2008, between the Company and Plaut Holdings GE
- 10.22* Subscription Agreement dated September 30, 2008, between the Company and J. Joseph Burk
- 10.23* Subscription Agreement dated September 30, 2008, between the Company and Harold and Paula Taub
- 10.24* Subscription Agreement dated September 30, 2008, between the Company and Tim Harts
- 10.25 Corporate Loan Agreement, entered into on December 1, 2008, by Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 5, 2008)
- 10.26 Corporate Promissory Note, dated December 1, 2008, and issued by the Company to Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 5, 2008)
- 14.1 Code of Ethics for Principal Executive Officers and Senior Financial Officers of the Company (incorporated by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005, filed on April 14, 2006)
- 21.1* List of Subsidiaries of the Company
- 31.1* Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer pursuant to pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certification of Chief Financial Officer pursuant to pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

Financial Statements

| | Page |
|--|------|
| Report of Independent Registered Accounting Firm | F-1 |
| Balance Sheet as of December 31, 2008 | F-2 |
| Statement of Operations for the years ended December 31, 2008 and 2007 | F-3 |
| Statement of Cash Flows for the years ended December 31, 2008 and 2007 | F-4 |
| Statement of Stockholders' Equity for the years ended December 31, 2008 and 2007 | F-5 |
| Notes to Financial Statements for the years ended December 31, 2008 and 2007 | F-9 |

Financial Statement Schedules

The financial statement schedules required by Regulation S-X are omitted because they are not applicable or the required information is shown in the Financial Statements or notes thereto.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

INTERNATIONAL STAR, INC.

Date: September 30 , 2009

By: /s/ Sterling M. Redfern
Sterling M. Redfern
President and Director

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|--|--|------------------------|
| /s/ Sterling M. Redfern Sterling M. Redfern | President and Director (Principal Executive Officer) | September 30 , 2009 |
| /s/ Virginia K. Shehee Virginia K. Shehee | Chairman of the Board of Directors | September 30 , 2009 |
| /s/ Jacquelyn B. Wine Jacquelyn B. Wine | Secretary, Treasurer/Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer) | September 30 , 2009 |

Board of Directors
International Star, Inc. and Subsidiaries
Shreveport, Louisiana

REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of International Star, Inc. and Subsidiaries (an Exploration Stage Company) as of December 31, 2008 and 2007, and the consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2008 and 2007, and for the period from inception of exploration stage (January 1, 2004) through December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board ("PCAOB"). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements referred to above present fairly, in all material aspects, the consolidated financial position of the Company as of December 31, 2008, and the consolidated results of its operations and cash flows for the years ended December 31, 2008 and 2007, and for the period from inception of exploration stage (January 1, 2004) through December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company does not have the necessary working capital to service its debt and for its planned activity, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note F to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Madsen & Associates CPA's, Inc.
March 13, 2009
Salt Lake City, Utah

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
(An Exploration Stage Company)
BALANCE SHEETS

| ASSETS | December 31, 2008 | December 31, 2007 |
|--|-------------------------|-------------------------|
| Current Assets: | | |
| Cash | \$ 8,889 | \$ 96,141 |
| Prepaid Expenses | 11,388 | -- |
| Total Current Assets | 20,277 | 96,141 |
| Property and Equipment (Net of accumulated depreciation) | 9,136 | 12,535 |
| Total Assets | \$ 29,413 | \$ 108,676 |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 366,847 | \$ 296,358 |
| Accrued expenses | 22,590 | 2,625 |
| Note payable – related party | 30,000 | -- |
| Shareholder deposits | 7,500 | -- |
| Total Current Liabilities | 426,937 | 298,983 |
| Long Term Note Payable – Related Party | 500,000 | 225,000 |
| Total Liabilities | 929,937 | 523,983 |
| Stockholders' Deficiency: | | |
| Preferred Stock | | |
| 20,000,000 shares authorized, | | |
| Undesignated par value – none issued | -- | -- |
| Common Stock | | |
| 780,000,000 shares authorized, at \$.001 par value; | | |
| 279,262,274 and 273,362,274 shares issued and | | |
| outstanding at December 31, 2008 and 2007, respectively | 279,262 | 273,362 |
| Capital in excess of par value | 4,429,759 | 4,376,659 |
| Deficit accumulated during the exploration stage | (5,606,546) | (5,065,328) |
| Total Stockholders' Deficiency | (897,525) | (415,307) |
| Total Liabilities and Stockholders' Deficiency | \$ 29,413 | \$ 108,676 |

See accompanying notes to the financial statements.

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
(An Exploration Stage Company)
STATEMENT OF OPERATIONS

| | Year Ended December 31, | | January 1, 2004 (date of inception of exploration stage) to December 31, 2008 |
|---|-------------------------|--------------|---|
| | 2008 | 2007 | |
| Revenue: | | | |
| Total Revenue | \$ -- | \$ -- | \$ -- |
| Expenses: | | | |
| Mineral exploration costs | 257,898 | 44,737 | 838,638 |
| Professional fees | 166,240 | 251,119 | 640,208 |
| Compensation & management fees | 31,326 | 36,500 | 1,411,735 |
| Depreciation & amortization | 3,400 | 3,400 | 14,673 |
| General & administrative | 57,431 | 53,442 | 458,847 |
| Total Operating Expenses | 516,295 | 389,198 | 3,364,101 |
| Net (Loss) from Operations | \$ (516,295) | \$ (389,198) | \$ (3,364,101) |
| Other Income and Expenses | | | |
| Interest income | 327 | 2,612 | 2,939 |
| Interest expense | (25,249) | (1,125) | (79,402) |
| Loss on disposal of assets | -- | (12,629) | (12,629) |
| Loss on divestiture of subsidiary | -- | -- | (99,472) |
| Total Other Expenses | (24,922) | (11,142) | (188,564) |
| Net (Loss) | \$ (541,218) | \$ (400,340) | \$ (3,552,665) |
| Weighted Average Shares | | | |
| Common Stock Outstanding | 279,262,274 | 273,362,274 | |
| Net Loss Per Common Share (Basic and dilutive) | \$ (0.00) | \$ (0.00) | |

See the accompanying notes to the financial statements.

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
(An Exploration Stage Company)
STATEMENT OF CASH FLOWS

| | Year Ended December 31, | | January 1, 2004 (date of inception of exploration stage) to December 31, 2008 |
|--|-------------------------|--------------|---|
| | 2008 | 2007 | |
| Cash flows from operating activities: | | | |
| Net (loss) | \$ (541,218) | \$ (400,340) | \$ (3,552,665) |
| Adjustments to reconcile net loss to cash used in operating activities: | | | |
| Depreciation & amortization | 3,400 | 3,400 | 14,673 |
| Loss on disposal of assets | -- | 12,629 | 12,629 |
| Loss on divestiture of subsidiary | -- | -- | 99,472 |
| Common stock issued for services | 4,000 | -- | 211,500 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable and prepaids | (11,388) | -- | 68,407 |
| Inventories | -- | -- | 63,812 |
| Other assets | -- | -- | 95,474 |
| Accounts payables and accrued interest | 90,454 | 42,192 | 340,870 |
| Shareholder deposits | 7,500 | -- | 7,500 |
| Net cash used in operating activities | (447,252) | (342,119) | (2,638,328) |
| Cash flows from investing activities: | | | |
| Purchase of fixed assets | -- | -- | (29,355) |
| Net cash provided by investing activities | -- | -- | (29,355) |
| Cash flows from financing activities: | | | |
| Proceeds from deposit | -- | -- | -- |
| Repayments of long term borrowings | -- | (25,000) | (25,000) |
| Proceeds from long term borrowings | 305,000 | 250,000 | 555,000 |
| Proceeds from sale of common stock | 55,000 | 210,000 | 1,782,426 |
| Net cash provided by financing activities | 360,000 | 435,000 | 2,312,426 |
| Net increase (decrease) in cash and cash equivalents | (87,252) | 92,881 | (355,257) |
| Cash and cash equivalents, beginning of period | 96,141 | 3,260 | 364,146 |
| Cash and cash equivalents, end of period | \$ 8,889 | \$ 96,141 | \$ 8,889 |
| Supplemental non-cash financing activities: | | | |
| Cash paid for interest | \$ 9,263 | \$ -- | \$ 9,263 |
| Common stock issued for deposit | \$ -- | \$ 20,000 | \$ 20,000 |
| Common stock issued for payment of notes payable and accrued interest | \$ -- | \$ -- | \$ 278,875 |

Edgar Filing: INTERNATIONAL STAR INC - Form 10-K/A

| | | | | | | |
|--|----|----|----|----|----|---------|
| Common stock issued for accrued compensation | \$ | -- | \$ | -- | \$ | 57,500 |
| Capital contributed for payment of loans, cash advances and interest | \$ | -- | \$ | -- | \$ | 202,159 |

See the accompanying notes to the financial statements.

F-4

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' EQUITY

Cumulative from Inception of Exploration Stage (January 1, 2004) through December 31, 2008

| | Common Stock Shares | Common Stock Amount | Paid-In Capital | Accumulated Deficit | Total Equity |
|--|---------------------------|---------------------------|--------------------|------------------------|-----------------|
| Balances at December 31, 2003 | 180,126,681 | \$ 180,127 | \$ 2,183,198 | \$ (2,053,882) | \$ 309,443 |
| Shares cancelled from divestiture of Pita King Bakeries, Int'l, Inc. | (12,000,000) | \$ (12,000) | \$ 4,000 | | \$ (8,000) |
| Shares retained to Company and cancelled | (105,000) | \$ (105) | \$ (2,895) | | \$ (3,000) |
| Common stock issued for cash, February 20, 2004 | | | | | |
| Valued at \$.05 per share | 90,000 | \$ 90 | \$ 1,410 | | \$ 1,500 |
| Common stock issued for cash, February 20, 2004 | | | | | |
| Valued at \$.06 per share | 300,000 | \$ 300 | \$ 5,700 | | \$ 6,000 |
| Common stock issued for cash, April 27, 2004 | | | | | |
| Valued at \$.11 per share | 409,092 | \$ 409 | \$ 14,591 | | \$ 15,000 |
| Common stock issued for cash, May 28, 2004 | | | | | |
| Valued at \$.07 per share | 454,545 | \$ 455 | \$ 9,545 | | \$ 10,000 |
| Common stock issued for cash, June 7, 2004 | | | | | |
| Valued at \$.07 per share | 4,090,908 | \$ 4,091 | \$ 85,909 | | \$ 90,000 |
| Capital contributed for interest expenses, June 30, 2004 | | | \$ 7,500 | | \$ 7,500 |
| Common stock issued for services, September 30, 2004 | | | | | |
| Valued at \$.03 per share | 6,000,000 | \$ 6,000 | \$ 54,000 | | \$ 60,000 |
| Common stock issued for cash, October 6, 2004 | | | | | |
| Valued at \$.10 per share | 2,250,000 | \$ 2,250 | \$ 72,750 | | \$ 75,000 |

Edgar Filing: INTERNATIONAL STAR INC - Form 10-K/A

Common stock issued for cash, November
29, 2004

| | | | | | | | |
|---------------------------|-----------|----|-------|----|--------|----|--------|
| Valued at \$.10 per share | 1,500,000 | \$ | 1,500 | \$ | 48,500 | \$ | 50,000 |
|---------------------------|-----------|----|-------|----|--------|----|--------|

Common stock issued for cash, December
8, 2004

| | | | | | | | |
|---------------------------|-----------|----|-------|----|---------|----|---------|
| Valued at \$.10 per share | 9,750,000 | \$ | 9,750 | \$ | 315,250 | \$ | 325,000 |
|---------------------------|-----------|----|-------|----|---------|----|---------|

Common stock issued for services,
December 31, 2004

| | | | | | | | |
|---------------------------|---------|----|-----|----|--------|----|--------|
| Valued at \$.10 per share | 420,000 | \$ | 420 | \$ | 13,580 | \$ | 14,000 |
|---------------------------|---------|----|-----|----|--------|----|--------|

Capital contributed for services and
accrued expenses

| | | | |
|----|--------|----|--------|
| \$ | 73,892 | \$ | 73,892 |
|----|--------|----|--------|

Net (loss) for year ended December 31,
2004

| | | | |
|----|-----------|----|-----------|
| \$ | (799,281) | \$ | (799,281) |
|----|-----------|----|-----------|

| | | | | | | | | | |
|-------------------------------|-------------|----|---------|----|-----------|----|-------------|----|--------|
| Balances at December 31, 2004 | 193,286,226 | \$ | 193,286 | \$ | 2,886,930 | \$ | (3,043,648) | \$ | 36,569 |
|-------------------------------|-------------|----|---------|----|-----------|----|-------------|----|--------|

(continued below)

F-5

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' EQUITY
(CONTINUED)

Cumulative from Inception of Exploration Stage (January 1, 2004) through December 31, 2008

| | Common Stock Shares | | Common Stock Amount | | Paid-In Capital | | Accumulated Deficit | | Total Equity |
|---|---------------------------|----|---------------------------|----|--------------------|--|------------------------|----|-----------------|
| 1 for 3 forward stock split, February 22, 2005 | | | | | | | | | |
| Common stock issued for cash, February 4, 2005 | | | | | | | | | |
| Valued at \$.05 per share | 199,500 | \$ | 200 | \$ | 9,776 | | | \$ | 9,975 |
| Common stock issued for cash, February 4, 2005 | | | | | | | | | |
| Valued at \$.05 per share | 1,151,013 | \$ | 1,151 | \$ | 56,400 | | | \$ | 57,551 |
| Common stock issued for cash, March 3, 2005 | | | | | | | | | |
| Valued at \$.049 | 509,036 | \$ | 509 | \$ | 24,447 | | | \$ | 24,956 |
| Common stock and warrants issued for cash, March 3, 2005 | | | | | | | | | |
| Valued at \$.03 | 1,666,667 | \$ | 1,667 | \$ | 48,313 | | | \$ | 49,980 |
| Common stock and warrants issued for cash, March 3, 2005 | | | | | | | | | |
| Valued at \$.02 | 4,500,000 | \$ | 4,500 | \$ | 85,477 | | | \$ | 89,977 |
| Common stock issued for cash, March 31, 2005 | | | | | | | | | |
| Valued at \$.10 | 500,000 | \$ | 500 | \$ | 49,500 | | | \$ | 50,000 |
| Common stock and warrants issued for cash, April 26, 2005 | | | | | | | | | |
| Valued at \$.12 | 833,334 | \$ | 833 | \$ | 99,137 | | | \$ | 99,970 |
| Common stock issued for cash, June 1, 2005. | | | | | | | | | |
| Valued at \$.066 | 150,000 | \$ | 150 | \$ | 9,850 | | | \$ | 10,000 |
| Common stock and warrants issued for cash, June 8, 2005 | | | | | | | | | |
| Valued at \$.06 | 975,000 | \$ | 975 | \$ | 57,495 | | | \$ | 58,470 |

Common stock and warrants issued for cash, August 22, 2005

| | | | | | | | |
|-----------------|-----------|----|-------|----|---------|----|---------|
| Valued at \$.02 | 6,300,000 | \$ | 6,300 | \$ | 119,700 | \$ | 126,000 |
|-----------------|-----------|----|-------|----|---------|----|---------|

Common stock and warrants issued for cash, August 22, 2005

| | | | | | | | |
|-----------------|---------|----|-----|----|--------|----|--------|
| Valued at \$.12 | 166,667 | \$ | 167 | \$ | 19,833 | \$ | 20,000 |
|-----------------|---------|----|-----|----|--------|----|--------|

Common stock issued for cash, December 16, 2005.

| | | | | | | | |
|-----------------|-----------|----|-------|----|--------|----|--------|
| Valued at \$.02 | 2,500,000 | \$ | 2,500 | \$ | 47,450 | \$ | 49,950 |
|-----------------|-----------|----|-------|----|--------|----|--------|

Common stock issued for cash, December 30, 2005.

| | | | | | | | |
|-----------------|---------|----|-----|----|-------|----|--------|
| Valued at \$.04 | 250,000 | \$ | 250 | \$ | 9,750 | \$ | 10,000 |
|-----------------|---------|----|-----|----|-------|----|--------|

Net (loss) for year ended December 31, 2005

| | | | |
|----|-----------|----|-----------|
| \$ | (799,281) | \$ | (799,281) |
|----|-----------|----|-----------|

| | | | | | | | | | |
|-------------------------------|-------------|----|---------|----|-----------|----|-------------|----|-----------|
| Balances at December 31, 2005 | 212,987,443 | \$ | 212,987 | \$ | 3,524,059 | \$ | (3,842,929) | \$ | (105,883) |
|-------------------------------|-------------|----|---------|----|-----------|----|-------------|----|-----------|

(continued below)

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' EQUITY
(CONTINUED)

Cumulative from Inception of Exploration Stage (January 1, 2004) through December 31, 2008

| | Common Stock Shares | Common Stock Amount | Paid-In Capital | Accumulated Deficit | Total Equity |
|---|---------------------------|---------------------------|--------------------|------------------------|-----------------|
| Common stock issued for services, January 6, 2006 | | | | | |
| Valued at \$.04 | 1,437,500 | \$ 1,438 | \$ 56,062 | | \$ 57,500 |
| Common stock issued for cash, March 14, 2006 | | | | | |
| Valued at \$.015 | 1,666,667 | \$ 1,667 | \$ 23,333 | | \$ 25,000 |
| Common stock and warrants issued for cash, March 18, 2006 | | | | | |
| Valued at \$.015 | 2,500,000 | \$ 2,500 | \$ 35,000 | | \$ 37,500 |
| Common stock issued for cash, March 20, 2006 | | | | | |
| Valued at \$.01 | 9,100,000 | \$ 9,100 | \$ 81,900 | | \$ 91,000 |
| Common stock issued for cash, June 12, 2006 | | | | | |
| Valued at \$.027 | 731,261 | \$ 731 | \$ 19,269 | | \$ 20,000 |
| Common stock issued for services, June 15, 2006 | | | | | |
| Valued at \$.038 | 2,000,000 | \$ 2,000 | \$ 74,000 | | \$ 76,000 |
| Common stock issued for cash, July 31, 2006 | | | | | |
| Valued at \$.01 | 235,000 | \$ 235 | \$ 2,115 | | \$ 2,350 |
| Common stock issued for cash, August 2, 2006 | | | | | |
| Valued at \$.01 | 3,575,000 | \$ 3,575 | \$ 32,175 | | \$ 35,750 |
| Common stock issued for cash, August 7, 2006 | | | | | |
| Valued at \$.0125 | 1,600,000 | \$ 1,600 | \$ 18,400 | | \$ 20,000 |
| Common stock issued for cash, August 11, 2006 | | | | | |
| Valued at \$.015 | 1,000,000 | \$ 1,000 | \$ 14,000 | | \$ 15,000 |

| | | | | | |
|---|-------------|----|---------|----|-----------|
| Common stock issued for cash, August 22, 2006 | | | | | |
| Valued at \$.015 | 1,000,000 | \$ | 1,000 | \$ | 15,000 |
| Common stock issued for cash, September 29, 2006 | | | | | |
| Valued at \$.01 per share | 1,000,000 | \$ | 1,000 | \$ | 10,000 |
| Common stock issued for note payable and accrued interest, October 30, 2006 | | | | | |
| Valued at \$.015 per share | 18,591,682 | \$ | 18,592 | \$ | 278,875 |
| Net (loss) for year ended December 31, 2006 | | | | | |
| | | | | \$ | (822,059) |
| | 257,693,292 | \$ | 257,694 | \$ | (244,967) |

(continued below)

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' EQUITY
(CONTINUED)

Cumulative from Inception of Exploration Stage (January 1, 2004) through December 31, 2008

| | Common Stock Shares | Common Stock Amount | Paid-In Capital | Accumulated Deficit | Total Equity |
|---|---------------------------|---------------------------|--------------------|------------------------|-----------------|
| Common stock issued for deposit, January 13, 2007 | | | | | |
| Valued at \$.018 per share | 1,064,595 | \$ 1,064 | \$ 18,936 | | \$ 20,000 |
| Common stock issued for cash, January 15, 2007 | | | | | |
| Valued at \$.015 per share | 4,166,666 | \$ 4,167 | \$ 45,833 | | \$ 50,000 |
| Common stock issued for cash, January 18, 2007 | | | | | |
| Valued at \$.012 per share | 833,334 | \$ 833 | \$ 9,167 | | \$ 10,000 |
| Common stock issued for cash, January 24, 2007 | | | | | |
| Valued at \$.013 per share | 7,692,308 | \$ 7,692 | \$ 92,308 | | \$ 100,000 |
| Common stock issued for cash, April 9, 2007 | | | | | |
| Valued at \$.013 per share | 769,232 | \$ 769 | \$ 9,231 | | \$ 10,000 |
| Common stock issued for cash, April 17, 2007 | | | | | |
| Valued at \$.035 per share | 1,142,847 | \$ 1,142 | \$ 38,857 | | \$ 40,000 |
| Net (loss) for year ended December 31, 2007 | | | | \$ (400,340) | \$ (400,340) |
| Balances at December 31, 2007 | 273,362,274 | \$ 273,362 | \$ 4,376,659 | \$ (5,065,328) | \$ (415,307) |
| Common stock issued for services, April 30, 2008 | | | | | |
| Valued at \$.01 per share | 400,000 | \$ 400 | \$ 3,600 | | \$ 4,000 |
| Common stock issued for cash, August 22, 2008 | | | | | |
| Valued at \$.01 per share | 3,500,000 | \$ 3,500 | \$ 31,500 | | \$ 35,000 |

Edgar Filing: INTERNATIONAL STAR INC - Form 10-K/A

| | | | | | |
|--|-------------|----|-------------|----|-----------|
| Common stock issued for cash, September 30, 2008 | | | | | |
| Valued at \$.01 per share | 1,500,000 | \$ | 1,500 | \$ | 15,000 |
| Common stock issued for cash, October 10, 2008 | | | | | |
| Valued at \$.01 per share | 500,000 | \$ | 500 | \$ | 5,000 |
| Net (loss) for year ended December 31, 2008 | | | | | |
| | | | | \$ | (541,218) |
| | | \$ | (541,218) | \$ | (541,218) |
| Balances at December 31, 2008 | 279,262,274 | \$ | 279,262 | \$ | 4,429,659 |
| | | \$ | (5,606,546) | \$ | (897,525) |

See accompanying notes to financial statements.

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

A. ORGANIZATION AND HISTORY

International Star, Inc. (the "Company") was incorporated October 28, 1993 as a Nevada corporation. On November 5, 1993, the Company issued 2,500 shares, no par value, for cash consideration of \$5,000 in a 504 intrastate offering. The Company amended its Articles of Incorporation on January 22, 1997, increasing its authorized common stock from 2,500 shares to 100,000,000 shares and modifying its par value to \$.001 per share.

In January 1997, the Company forward split its common stock to 6,000,000 shares in a 2400:1 exchange. In April 1997, the Company again forward split its stock 5:1, increasing the total outstanding shares to 30,000,000 and, in a reorganization of outstanding shares, canceled 17,400,000 shares, forward split the balance of the shares 8:1 for an additional issuance of 10,080,000 shares to the 12,600,000 shares outstanding, and then issued 300,000 shares to the shareholders who canceled the 17,400,000 shares, resulting in 22,980,000 shares issued and outstanding. Also, in April 1997, the Company issued 4,500,000 shares (valued at \$10,000) in consideration of services performed by various individuals and corporations. The 4,500,000-share transaction, which predates the 5:1 and 8:1 transactions, were apparently not impacted by either of the two aforementioned forward splits, but resulted in a total of 27,480,000 shares of common stock issued and outstanding.

In April 1997, the Company entered the waste management business. The Company and an affiliated entity, American Holding Group entered into an oral agreement under which American Holding Group loaned the Company \$50,000 at an interest rate of 3%. A portion of the loan was used to open a Company office in Idaho Falls, Idaho.

Due to a lack of capital, the Company sold its waste management business to Asia Kingtec Co., Ltd. in December 1997 in a small instrumentation sale for \$17,444. The Company closed its office in January 1998 and abandoned the computers and office equipment, purchased at \$6,981, to the three individuals who lead the Company into the waste management business. The Company accounts payable reflect \$11,455 in disputed bills from these discontinued operations, which the Company does not intend to pay.

The three officers and directors who were appointed at the time of the Company's connection with the foray into the waste management business, resigned in August 1999. The Company accepted the resignations on September 8, 1999.

On July 17, 1998, the Company entered into an extraction agreement with AuRic Metallurgical Laboratories, Inc., a Utah limited liability corporation, with the requirement that the Company pay a 1% net smelter return to AuRic for utilization of its technology.

On October 12, 1998, the Company entered into a letter of intent with North American Industrial Development Authority, Inc. (NAIDA) of Kingman, Arizona. The original proposal involved constructing an investment in a mineral processing plant in order to process ores from the Company's mineral property. In exchange, NAIDA would receive 15% of the total ore produced. However, because of NAIDA's inability to perform, the proposal was never set into motion.

On October 15, 2001, the Company formed a wholly owned subsidiary called Qwik Track, Inc. (Qwik Track). Qwik Track operated as an internet web-based business that provides handicapping, analytical data and statistical information for wagering on thoroughbred horse races. Qwik Track also offers wagering enthusiasts the opportunity to participate in multiple racetracks wagering via the internet.

F-9

On October 1, 2002, the Company acquired all of the outstanding shares of common stock of Pita King Bakeries International, Inc. (Pita King) making Pita King a wholly owned subsidiary of the Company. Pita King operated a retail bakery outlet in Everett, Washington which commenced operations in September of 2001.

On January 1, 2004, the original shareholders of Pita King and the management of the Company mutually agreed to dissolve their business relationship (see Note C).

The Company's main focus of business, commencing January 1, 2004, is the exploration of mining claims and mining properties. The Company has, in accordance with guidelines of the Securities and Exchange Commission (SEC), appropriately disclosed that the company is considered an exploration stage company.

During 2006 the Company relocated its principal offices from Henderson, Nevada to Mount Pleasant, Texas and then to Shreveport, Louisiana.

B. SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation and Accounting Methods

These consolidated financial statements include the accounts of International Star, Inc., and Qwik Track, Inc. (a wholly owned subsidiary) for the fiscal year ended December 31, 2008. Qwik Track, Inc. has no assets and has not had any operations during the previous three years.

2. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Dividend Policy

The Company did not declare or pay any dividends during the years ended December 31, 2008 and 2007. There are no legal, contractual or other restrictions, which limit the Company's ability to pay dividends. Payment of future dividends, if any, on the Company's common stock, will be dependent upon the amounts of its future after-tax earnings, if any, and will be subject to the discretion of its Board of Directors. The Company's Board of Directors is not legally obligated to declare dividends, even if the Company is profitable. The Company has never paid any dividends on its common stock and has no plans to do so in the near future. Instead, the Company plans to retain any earnings to finance the development of its business and for general corporate purposes.

4. Mineral Properties and Equipment

The Company has expensed the costs of acquiring and exploring its properties during the periods in which they were incurred, and will continue to do so until it is able to determine that commercially recoverable ore reserves are present on the properties. If it determines that such reserves exist, it will capitalize further costs.

5. Basic and Dilutive Net Income (Loss) Per Share

Basic net incomes (loss) per share amounts are computed based on the weighted average number of shares actively outstanding in accordance with SFAS NO. 128 "Earnings Per Share." Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of any common share rights unless the exercise becomes anti-dilutive and then only the basic per share amounts are shown in the report. At December 31, 2008, the Company had no common equivalent shares of stock outstanding.

6. Comprehensive Income

The Company adopted SFAS No. 130, "Reporting Comprehensive Income", which requires inclusion of foreign currency translation adjustments, reported separately in its Statement of Stockholders' Equity, in other comprehensive income. Such amounts are immaterial and have not been reported separately. The Company had no other forms of comprehensive income since inception.

7. Stock Based Compensation

The Company has elected to follow the provisions of Statement of Financial Accounting Standards No. 123(R) – fair value reporting and related interpretations in accounting for its stock based compensation and stock option plans. Under this accounting standard, share-based awards are fair valued and the related stock compensation expense, when applicable, is reported in the current financial statements.

8. Income Taxes

The Company has adopted SFAS No. 109 "Accounting for Income Taxes". The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, all expected future events, other than enactment of changes in the tax laws or rates, are considered.

Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its net operating losses have been fully offset by a valuation allowance.

9. Fair Value of Financial Instruments

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, prepaid expenses, accounts payable and accrued liabilities, shareholder deposits and notes payable.

10. Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent account pronouncements will have a material effect on its financial statements.

11. Revenue Recognition

Revenue will be recognized on the sale and delivery of a product or the completion of a service provided.

12. Statement of Cash Flows

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of nine months or less to be cash equivalents.

13. Financial and Concentration Risk

The Company does not have any concentration or related financial credit risk.

C. DIVESTITURE OF PITA KING BAKERIES INTERNATIONAL, INC.

Effective January 1, 2004, the original shareholders of Pita King Bakeries International, Inc. and the management of International Star, Inc. (the Company) mutually agreed to dissolve their business relationship. Under terms of this dissolution, the original shareholders of Pita King Bakeries International, Inc. returned 4,000,000 shares of common stock to the Company and the Company agreed to forgive a \$35,000 loan made to Pita King Bakeries International, Inc. The original shareholders of Pita King Bakeries International, Inc. were allowed to retain 139,500 share of the Company's common stock which they had received as part of the original purchase of Pita King Bakeries International, Inc. by the Company. The Company has recognized a loss of \$99,472 on the divestiture of Pita King Bakeries International, Inc.

D. COMMON STOCK

During the twelve months ended December 31, 2008, the Company issued 5,500,000 shares of common stock and warrants for \$55,000. The Company also issued 400,000 shares of common stock for services rendered valued at \$4,000.

The Company entered into an employment agreement effective April 1, 2008 whereby the Company would issue two separate option agreements to the Company president. The first option agreement would have allowed the Company president to purchase up to 5,000,000 shares of the Company common stock at \$.01 per share and the second option agreement would have allowed the Company president to purchase up to 5,000,000 shares of the Company common stock at \$.03 per share. The vesting of the option agreements were to be based upon performance incentives to be determined by the Board of Directors. The employment agreement was amended on August 13, 2008, to allow the Company to issue stock options for an aggregate of 10,000,000 shares of common stock of the Company on such dates and according to such terms as designated by the Board of Directors of the Company.

E. LONG TERM NOTE PAYABLE – RELATED PARTY

The Company entered into a loan agreement with Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. on December 3, 2007. This Company is controlled through ownership by a shareholder/director of International Star, Inc. Under terms of the agreement, the Company has an available credit line balance of \$500,000 with interest accruing at 6% per annum. The interest is due and payable on a quarterly basis (every three months). The loan is collateralized by a security interest to the above mentioned lender in the amount of 51% interest in the mineral rights of all mining claims owned by or having an interest in now or in the future in the Detrital Wash and Wickieup properties located in Mohave County, Arizona along with any future claims acquired by the Company. At December 31, 2008, the Company had borrowed \$500,000 under the terms of this loan agreement. The principal amount borrowed, together with accrued interest, is due and payable on December 3, 2010.

The Company entered into another loan agreement with Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. on December 1, 2008. Under terms of the agreement, the Company has an available credit line balance of \$200,000 with interest accruing at 10% per annum. Both the principal and interest are due on March 31, 2009.

F. GOING CONCERN

The Company will need additional working capital for its future planned activity and to service its debt, which raises substantial doubt about its ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital to be successful in that effort. The management of the Company

has developed a strategy, which it believes will accomplish this objective, through additional loans, and equity funding, which will enable the Company to operate for the coming year.

F-12
